Eurofound

Experiencing the economic crisis in the EU: Changes in living standards, deprivation and trust

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Results from the European Quality of Life Survey (EQLS) show comparisons over time of different dimensions of people's quality of life, including their standard of living. A combined review of indicators from the EQLS and those obtained from the Eurobarometer (for 2009 and 2010) highlights the fact that, on the whole, the economic and financial crisis has led to a decline in quality of life. This is more apparent for those living in countries most affected by the crisis. Vulnerable groups such as the unemployed, the elderly and the retired, as well as people suffering financial difficulties, have experienced a considerable drop in their well-being following the crisis.

Introduction

Eurofound's concept of quality of life explores a number of dimensions of people's lives including income, housing, health, education and employment, as well as family life, social capital, quality of public services, and subjective well-being. The European Quality of Life Survey (EQLS), a wide-ranging, pan-European survey designed and conducted by Eurofound, employs objective indicators on people's living conditions as well as subjective indicators on how people in Europe perceive their own life and their ability to achieve their goals.

This paper examines whether the period of the global financial and economic crisis has brought about changes in the quality of life of citizens of the European Union. Following a brief overview of economic growth and labour market dynamics in the EU, the paper examines selected indicators at both individual and societal level. The key questions considered are what changes there have been in living standards (such as changes in financial strain and deprivation levels) as experienced by individual respondents and their households, and whether the crisis is affecting society as a whole through depleting its social capital, measured by indicators of trust.

The paper analyses changes between 2007 (that is, the pre-crisis period, which was characterised by a steady economic growth in most of Europe) and 2009–2010 (the years of the economic crisis). The discussion is based largely on the results obtained from the 2007 EQLS and the Special Eurobarometer on Poverty and Social Exclusion conducted by the European Commission in 2009 and 2010. The two surveys share a selected number of indicators, allowing us to study differences in the quality of life both between countries and over time. Survey information is also available for 2003 and is used to provide the context for the pre-crisis period.

Importance of measuring quality of life in Europe

The documentation of changes in the quality of life and the design of policies to improve well-being are moving increasingly to the fore of EU policy debates. Although it is argued that the goal of public policy should be assessed in terms of promoting the well-being of Europe's citizens, it is also increasingly acknowledged that economic indicators such as gross domestic product (GDP), employment rate and level of household income are important but insufficient measures of well-being and social progress in a country.

A more comprehensive approach to monitoring the complex reality is to consider social and environmental conditions as well as economic ones. These considerations are reflected in recent initiatives from the Organisation for Economic Co-operation and Development (OECD) and the European Commission, including the **Europe 2020 strategy**, which widens the focus to a range of social indicators, and the report by the Commission on the Measurement of Economic Performance and Social Progress (Stiglitz et al, 2009). All these initiatives emphasise the importance of adopting a multidimensional approach when considering people's well-being and quality of life.

Eurofound is contributing to this endeavour with its quality of life concept and the use of the EQLS to measure quality of life across a number of dimensions (Anderson et al, 2010, pp. 1–2). In a nutshell, the three main characteristics associated with the Eurofound quality of life concept and the survey are: 1) quality of life refers to individuals' life situations; 2) quality of life is a multidimensional concept; 3) quality of life is measured by objective as well as subjective indicators.

The results from the first EQLS in 2003 and the second EQLS in 2007 allow us to map global trends and developments between 2003 and 2007. Together with a smaller set of indicators measured under the Special Eurobarometer survey, we can monitor changes in selected aspects of quality of life until September 2010.[1]

Data sources

Much of the data used in this paper come from the first two rounds of the EQLS (2003 and 2007) – the survey launched by Eurofound to capture some of the views, attitudes and experiences of adults in Europe relevant in the assessment of their quality of life. The survey involves face-to-face interviews with people aged 18 and over, from separate households.

In 2003, the country samples consisted of 600–1,000 respondents from 27 countries: the EU15,[2] the 10 countries that went on to join the EU in 2004 (NMS10),[3] and Bulgaria and Romania, which became Member States in 2007. In the second round, which took place in autumn 2007, the country samples consisted of 1,000–2,000 respondents, and many of the same questions were put to more than 31,000 adult respondents in the then 27 Member States (EU27).

The collected data have been weighted (by design, post-stratification and international weights) to enhance the representation across Europe. The applied weights ensure that the averages for the country groupings (EU27, NMS and EU15) reflect the size of the population of individual countries. The results from the two rounds of the EQLS are thus representative for both the countries and the country groupings, and are comparable between survey rounds.

The data on quality of life in EU covering the time of crisis come from another source. About 20 of the EQLS questions were included in two editions of the Special Eurobarometer (EB 72.1 (321) and EB 74.1 (355)), which were conducted in the autumn of 2009 and 2010 respectively. Although the questions are directly comparable,[4] there are slight differences in the target population. The Eurobarometer sample includes only nationals of the EU27 Member States, while the EQLS respondents are residents of the Member States, with 96% of them being citizens of the respective countries. It is also acknowledged that the sample size of about 1,000 respondents per country is not large enough to detect and measure relatively small differences; analyses of change over time in individual countries should therefore be performed with caution (Anderson et al, 2010, p. 3). However, there are many consistent findings that are broadly compatible with expectations and which illuminate people's perceptions and experience of the period between 2007 and 2010.

[1] Fieldwork for the third EQLS was carried out between September 2011 and February 2012, and the results are expected later in 2012.

[2] Those countries that joined the EU before 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK.

[3] Those countries that joined the EU in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Bulgaria and Romania joined the EU in 2007, becoming members of the group of 12 countries called NMS12.

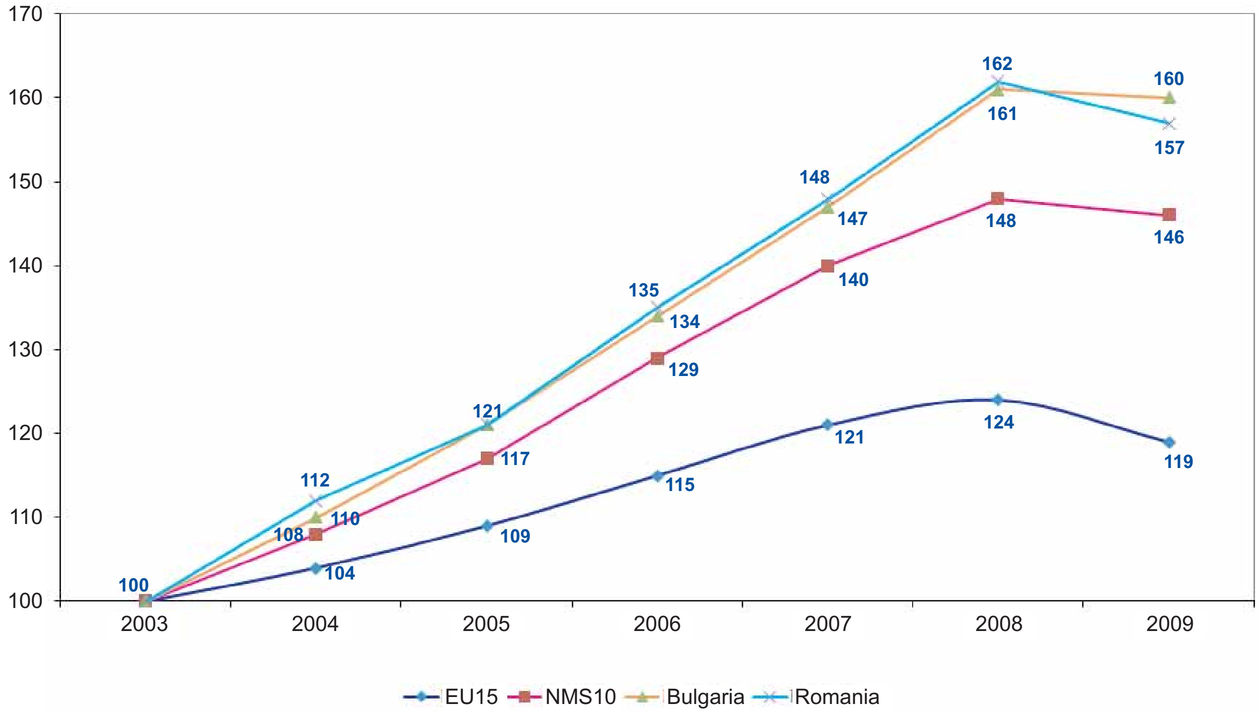
[4] The Eurobarometer surveys share a number of features with EQLS, including sample design and sampling, mode of data collection and weighting procedure.

Economic growth and labour market dynamics

Growth in GDP

Europe has witnessed stable and robust economic growth for many years. Economic prosperity characterises the period between 2003 and 2007 covered by the first two rounds of the EQLS. In the four years, the real per capita GDP in the EU15 increased by 21% (Figure 1).

Figure 1: *Economic growth, 2003–2009*

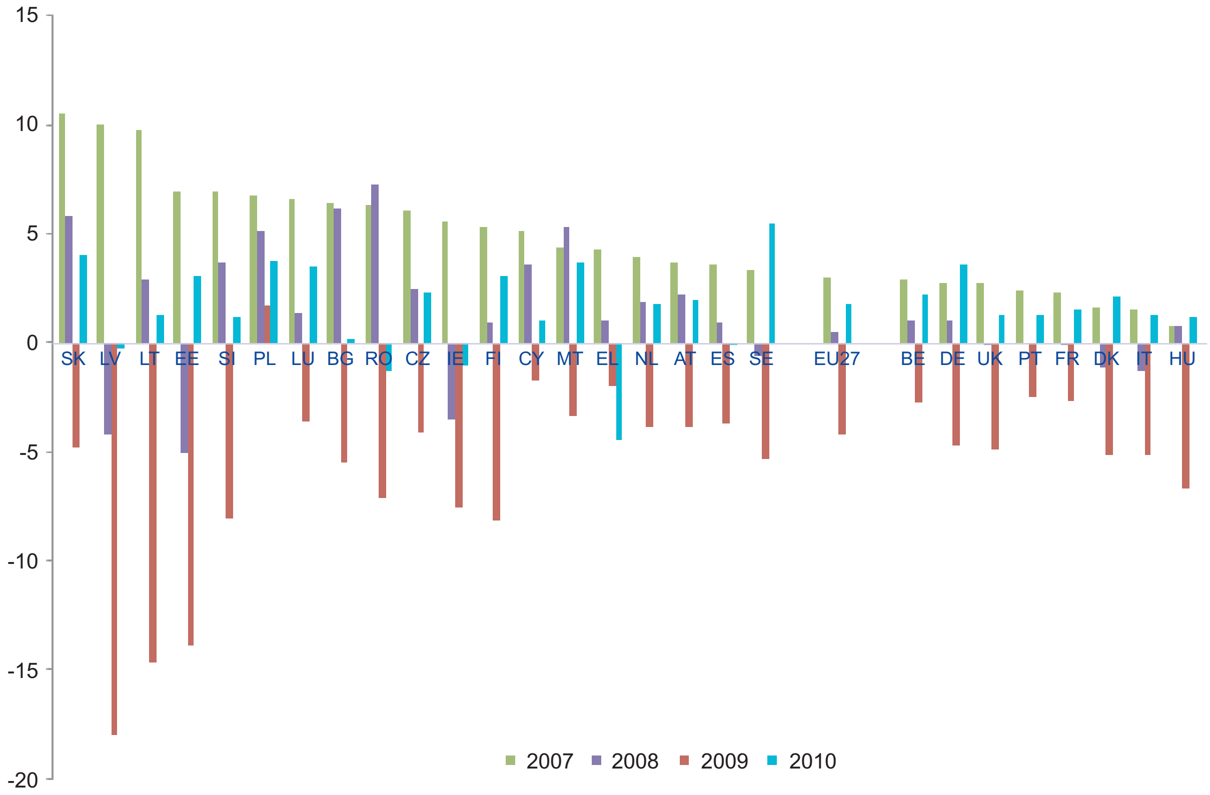


Notes: GDP per head of population in purchasing power standards (PPP) and USD (relative, 2003=100)
Source: *Rose et al (2009, p. 22)*

The prosperity was even more remarkable in the NMS10 as a whole, where economic reforms and large-scale foreign direct investment, together with EU funds, led to exceptionally large, often two-digit, growth rates. As a result, the gap in the level of economic development between the EU15 and the NMS10 decreased substantially. While the per-capita output of the NMS10 was 49% of that of the EU15 in 2004, it had risen to 56% by 2007. During this period Bulgaria and Romania, which joined the EU in 2007, also narrowed the gap with the EU15 from 28% to 34% (Rose et al, 2009, pp. 21–22). All this created material conditions for an increase in the standard of living and quality of life of EU citizens, but especially those living in the NMS.

Economic growth in the EU was particularly strong in 2007, the year before the financial crisis began. The economies of Latvia, Lithuania and Slovakia grew by as much as 10% annually (Figure 2). Other NMS countries such as Bulgaria, Estonia, Poland, Romania and Slovenia also had remarkable growth rates (6%–8%). Some EU15 countries (for example, Finland, Ireland and Luxembourg) also saw their economies grow by comparable rates.

Figure 2: *Growth in real GDP, 2007–2010*



Note: Growth rate of GDP volume = percentage change on previous year
Source: *Eurostat*

As the financial crisis from the beginning of 2008 spilt over into the real economy, the capacity to generate ever higher output was challenged. During 2008 GDP growth rates in the EU became modest or even turned negative. Ireland, for example, experienced negative growth in 2008 for the first time in decades.

The situation became much worse in 2009 when all EU countries went into recession with the exception of Poland, where the economy continued to grow, though at a lower rate than before. By the end of 2009, it had become clear that the EU economy had entered the steepest downturn ever measured in its history; its real GDP dropped during the year by 4.2%.

Although the crisis had a major impact on the whole EU economy, some Member States were more vulnerable than others, reflecting specific features of their economies, such as current account position, indebtedness, exposure to real-estate bubbles, the size of the construction sector, export dependency, the size of the financial sector and its level of risky assets (European Commission, 2009, p. 24). For the economies of the Baltic states (Estonia, Latvia and Lithuania) 2009 was an exceptionally tough year, when GDP shrank by more than 10%. They were followed by Finland, Hungary, Ireland, Romania and Slovenia, which witnessed 5%–7% losses in their economic outputs.

In 2010 the situation remained difficult, although some signs of a modest pick-up in economic activity were seen in several countries, including Germany, the largest economy in the EU. The obvious exception to the general picture was Greece, whose economy got into even deeper problems than the year before. GDP continued to shrink in countries like Ireland, Latvia and Romania, albeit at a slower pace than before.

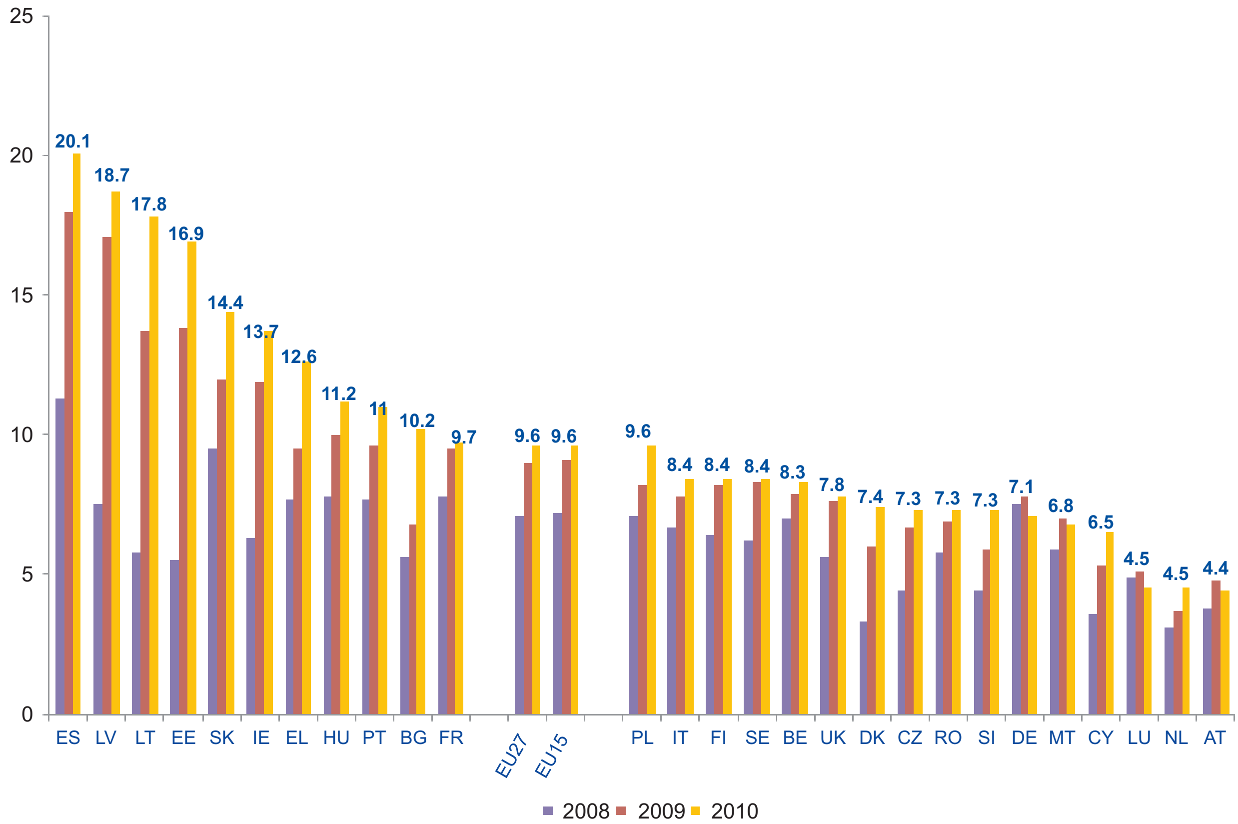
Labour market dynamics

The long period of economic prosperity in the EU, which ended suddenly with the outbreak of the financial crisis, was also a period of significant job creation and high employment. Not only the number of jobs increased, but also their quality. By the time the second round of the EQLS took place in 2007, the level of employment was reaching its peak, with the unemployment rate in the EU27 falling to its lowest level of 6.8% in the first quarter of 2008.[5] After that, the situation of the EU labour market started to deteriorate.

The economic crisis hit the labour market within about six months of the start of the downturn, and the number of the jobless in the EU grew rapidly between the second quarter of 2008 and the second quarter of 2009. In just a year, the EU unemployment rate rocketed from 7.1% to 9.0%, meaning that, by the middle of 2009, over 21 million people were without a job – nearly 5 million more than the year before (Hijam, 2009, p. 2).

A huge contraction in economic output in the Baltic states and in Ireland caused serious problems in their labour markets. Between 2008 and 2009, the unemployment rate in Estonia, Latvia and Lithuania more than doubled, while in Ireland it increased by almost 90% (Figure 3).

Figure 3: *Unemployment rates (%), 2008–2010*



Source: *Eurostat*

[5] Eurostat, Unemployment – LFS monthly adjusted series.

Latvia and Spain faced huge challenges as their unemployment rates rocketed in 2009 to over 15%. The rate also passed over the 'critical threshold' of 10% in 2009 in Estonia, Ireland, Lithuania and Slovakia, and approached 10% in France, Hungary and Portugal. Of these countries, the situation became particularly difficult in Spain, where more than four million people were jobless, among them a huge number of young people excluded from the labour market.

The number of long-term unemployed in the EU also grew very quickly, representing about a third of the total jobless population in 2009. In some countries the situation got even worse; by the end of 2009, more than two out every five unemployed people in Belgium, Bulgaria, Germany, Greece, Hungary, Italy, Portugal and Slovakia had been without work for more than 12 months and many of them for many years (Massarelli and Wozowczyk, 2010, p. 7).

In 2010 the situation in the EU labour market was still being determined by the negative trends triggered by the economic crisis, though with less intensity than the year before. The overall unemployment rate in the EU climbed to 9.6% (Figure 3), an increase on average by 0.6 percentage points compared with the previous year. In absolute terms this means that the number of jobless in the EU increased by 1.6 million to reach 22.9 million (Wozowczyk and Massarelli, 2011, p. 7). A rise in the number of jobless was measured in 23 out of the 27 Member States. The largest increase was recorded in Bulgaria, followed by Greece, Spain and the Baltic countries, where the level of unemployment was already very high. However, there was a slight drop in the number of those without work in Austria, Germany, Luxembourg and Malta.

The economic crisis and ensuing problems in the labour market affected a number of other domains. The contraction of economic output meant a considerable drop in the turnover of the businesses and consequently on public sector revenues (Freysson, 2011). Many companies responded to the challenge by cutting their wage bill by dismissing employees or reducing their pay. The answer in the public sector has usually been to place strict limits on recruitment, and freezing or even reducing salaries. An ever-increasing proportion of countries' general budgets has been spent on social purposes, but due to the rise in the number of recipients, individual benefits of all kinds have often been reduced, the period of receipt shortened and eligibility criteria sharpened. These unpopular measures have led to a drop in private spending and consumption in many Member States, which has inevitably set additional hurdles to swift economic recovery and much-needed economic growth.

Financial difficulties and deprivation, 2007–2010

The economic crisis did not spare households. Household wealth, consisting largely of owned properties (homes), diminished as the crisis in housing markets developed and the prices of residential properties went down. The increase in joblessness, cuts in wages and salaries, and reduction of individual social benefits put additional pressure on household incomes. This all set new limits on private consumption and seems to have affected citizens' standard of living.

With the help of the most recent available indicators, we sketch below a picture of the standard of living in the EU in 2010 and citizens' experiences in this respect. The corresponding EQLS indicators from 2007 help to illustrate the change in the standard of living and the perceived quality of life during the three-year period, a time which marks the transition from economic prosperity to economic downturn and depression due to the crisis.

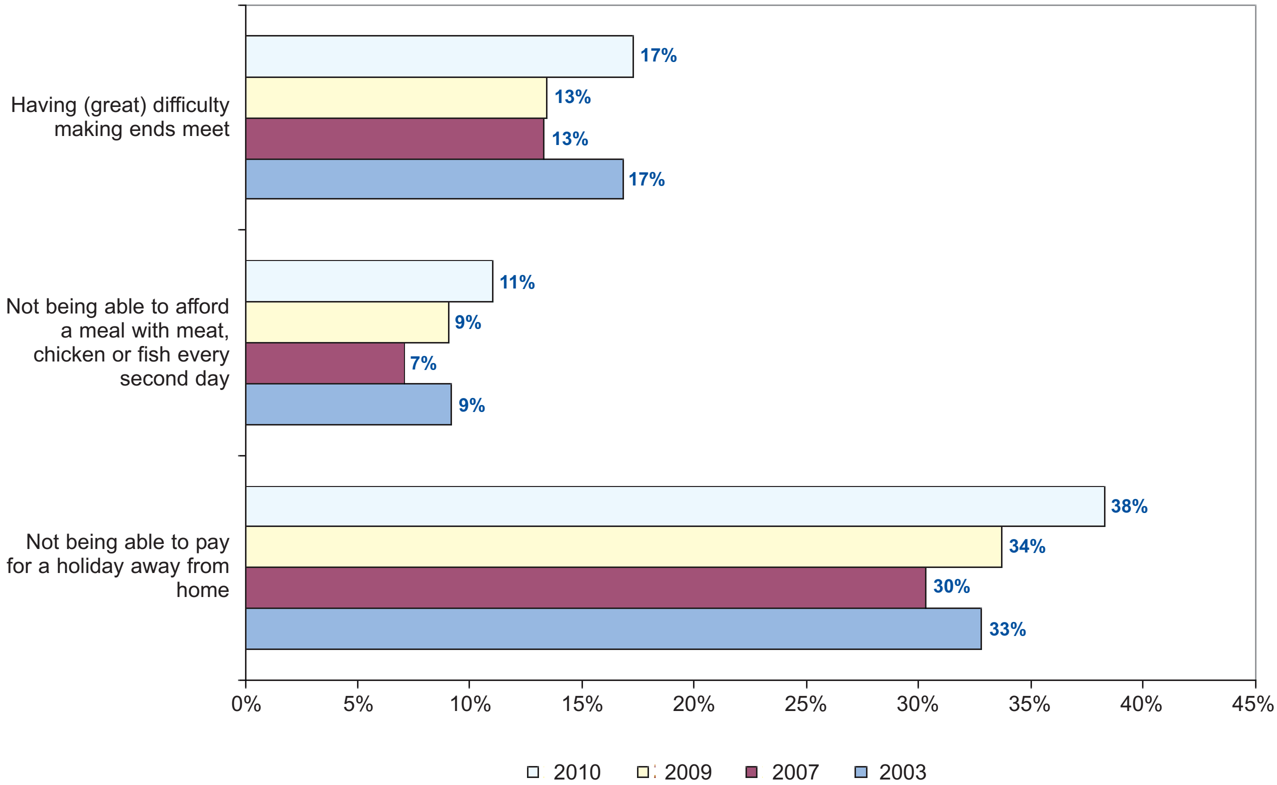
More people experiencing financial difficulties

One aspect of quality of life which the EQLS attempts to capture is the perceived financial strain that people have to deal with. This is measured by asking respondents if their households are experiencing difficulties in making ends meet.[6] The indicator is widely used in European social surveys and is generally seen as a good proxy for people's income position.

[6] The question posed was: 'Thinking of your household's total monthly income is your household able to make ends meet?' The six possible answers were: 1 'Very easily'; 2 'Easily'; 3 'Fairly easily'; 4 'With some difficulty'; 5 'With difficulty'; and 6 'With great difficulty'.

According to the EQLS, 13% of people in the EU in 2007 lived in households that had (great) difficulty making ends meet, compared with 17% in 2003 (Figure 4). In contrast to this period of steady prosperity, the economic crisis resulted in a considerable worsening of the financial position of households. The first signs of the deterioration can be seen in 2009, although the major change happened a year later. By autumn 2010 the number of people in the EU dealing with financial strain had increased by 4 percentage points, indicating that one out of every six Europeans (17%) was living in a household that was struggling to obtain enough money to live.

Figure 4: *People living in households experiencing material difficulties*

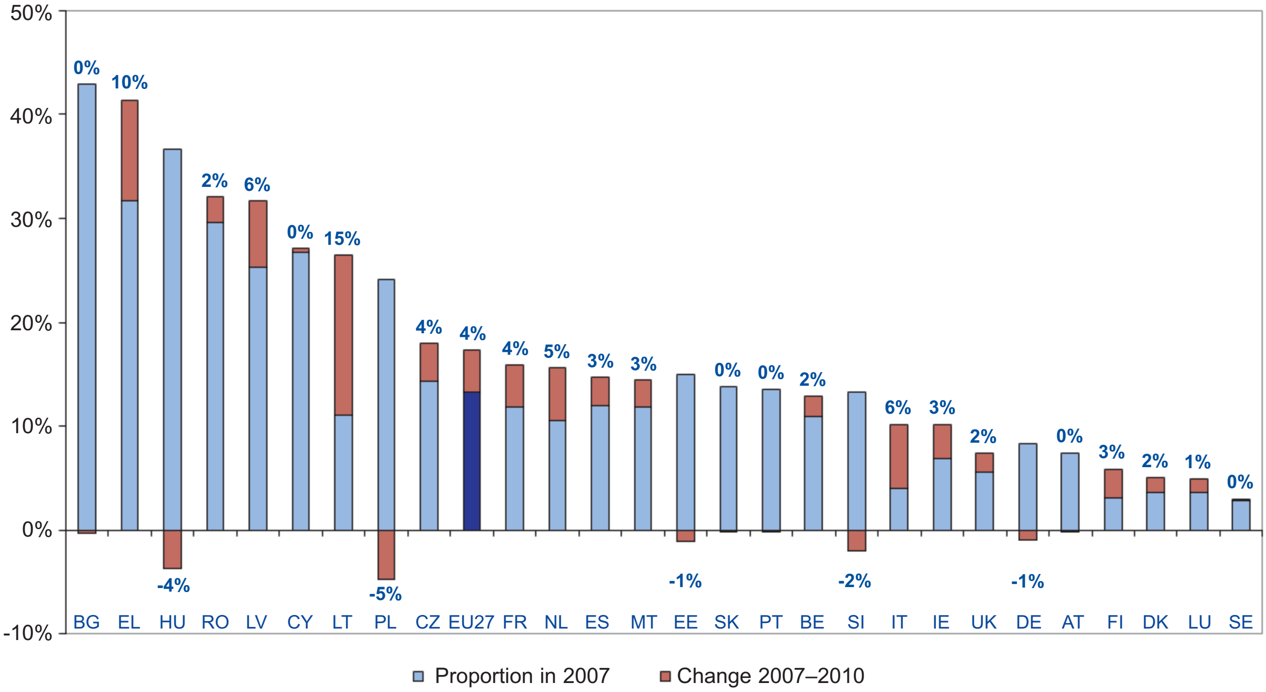


Source: *EQLS; Special Eurobarometer 321 and 355.*

Differences between countries

Although the increasing incidence of financial hardship between 2007 and 2010 is observed in many Member States, there are large differences in the pace of deterioration between countries (Figure 5). The number of people in Ireland and Lithuania reporting difficulties making ends meet increased enormously, with the figure doubling in the three-year period. A considerable deterioration was also seen in Greece, Latvia and Spain – all countries where the crisis hit the economy relatively fast and hard. The downward trend was also noticeable in the Czech Republic and France, followed by a relatively large group of countries, among them quite populated countries such as Romania and the UK. There were very few Member States where the number of households facing financial hardship declined, and then often only very slightly. The largest improvement (5 percentage points) was measured in Poland, the only country in Europe that did not experience recession during 2007–2010.

Figure 5: *Households having (great) difficulty making ends meet in 2007, and change 2007–2010*



Note: Percentages within the graph are those for change 2007–2010.

Differences by age, gender and employment status

It is also important to look at how the change in reported financial difficulties affected different population groups (Table 1). The years of the crisis were particularly bad for the jobless; the risk of living in a household suffering financial hardship, which was already very high for the unemployed, increased the most (by 8 percentage points) for this group. The pace and direction of the change for other population groups were more or less in line with the general (negative) trend seen for the EU as a whole.

Table 1: *People living in households experiencing great financial difficulty*

	2007	2010	Difference
EU27	13	17	4
EU15	10	14	4
NMS12	26	25	-1
Male	12	16	12
Female	15	19	14
Age: 18–34	12	15	3
35–64	14	19	5
65+	14	17	3
Employed	10	13	3
Unemployed	34	41	8
Retired	14	19	4

Increased incidence of material deprivation

Two particular indicators from the EQLS are used to identify changes in material deprivation (that is, a household's lack of two modern necessities):

- the household's inability to afford meals with meat, chicken or fish every second day (if desired);
- the household's inability to afford a week's annual holiday away from home.

The first indicator is often seen as the one signalling basic needs' deprivation or extreme poverty. The second indicator is usually a measure of lifestyle deprivation.

In the prosperous years between 2003 and 2007, there was an improvement in both these indicators in the EU27, indicating a sizeable drop in the number of people facing deprivation (Figure 4). However, the crisis reversed this trend. The proportion of people reporting that they could not afford a proper meal every second day increased from just 7% in 2007 to 9% in 2009 (that is, back to the 2003 level). As the crisis deepened, the deprivation rate increased: in the autumn of 2010, 11% of EU citizens reported that their household was not able to meet the stated nutritional needs.

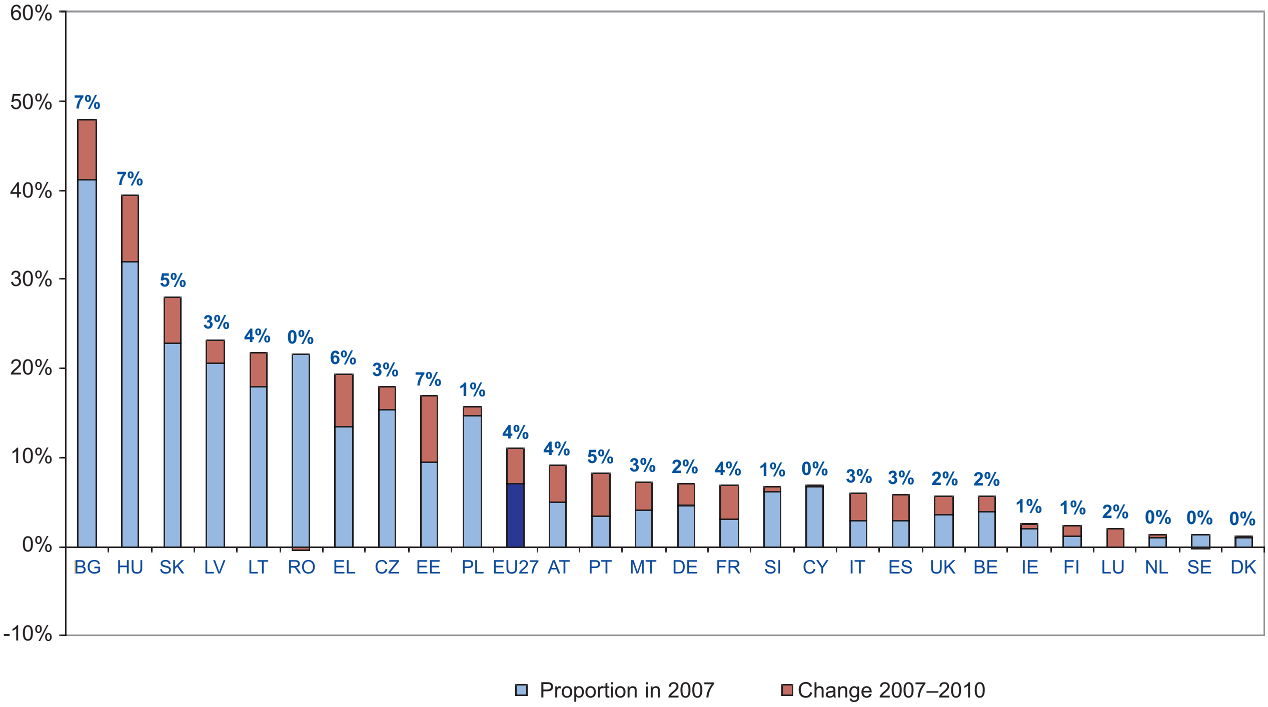
A similar development can be seen with the second deprivation indicator used in this analysis. The proportion of people reporting that they could not afford a week's holiday away from home increased from 30% in 2007 to 34% in 2009, and to 38% by 2010 (Figure 4).

Nutritional deprivation

It is also interesting to look at these two deprivation indicators in the context of the individual Member States. The 2007 data show that the rate of nutritional deprivation was relatively high in the NMS and especially in Bulgaria, the Czech Republic, Hungary, Latvia, Poland, Romania and Slovakia (Figure 6). The crisis brought about an increased rate of deprivation in the vast majority of Member States. The sharpest absolute increases were seen in Bulgaria, Estonia, Greece, Hungary, Portugal and Slovakia – countries where the level of income was relatively low even during times of prosperity and thus did not provide much of a buffer for an unexpected attack on households' capacity to pay for basic needs. Among this group were several countries where the crisis hit the hardest.

A considerable worsening of this type of deprivation was also found in Austria, France and Lithuania, followed by the Czech Republic, Italy, Latvia, Malta and Spain. Only in a handful of Member States did the rate of deprivation not worsen, and no country saw an improvement, including Poland, the only EU country not to go into recession.

Figure 6: *Households not able to afford a meal with meat or chicken every second day in 2007, and change 2007–2010*

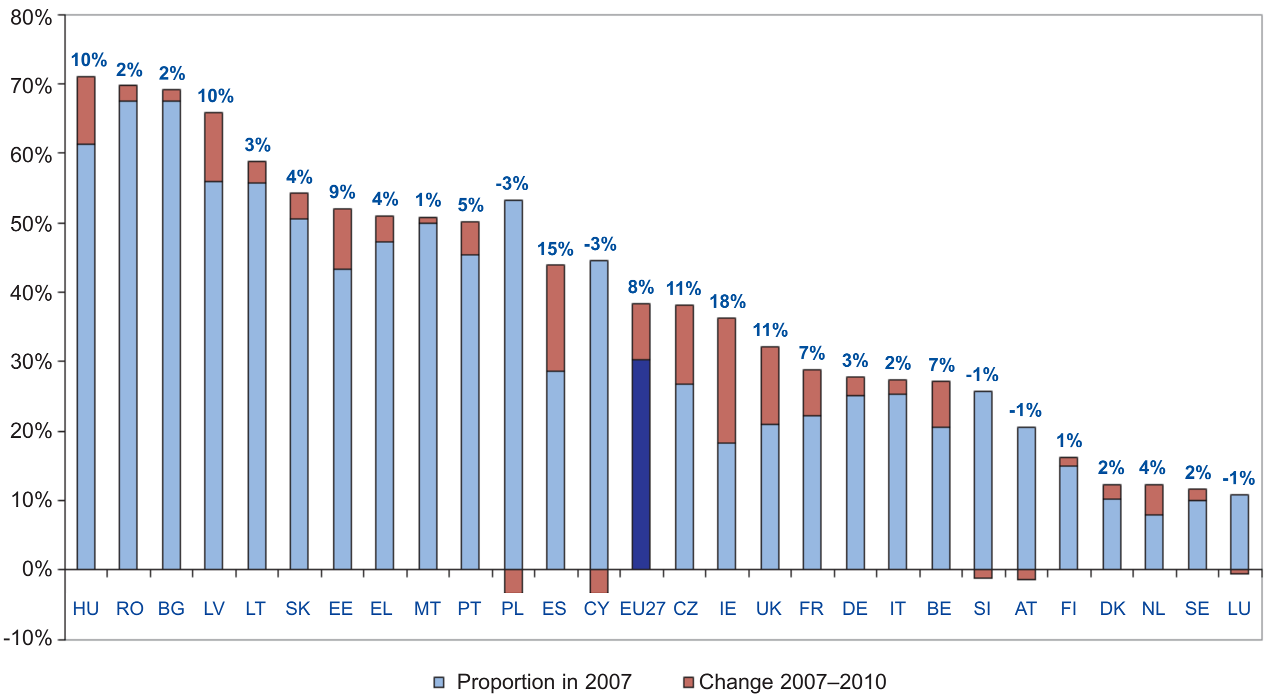


Note: Percentages within the graph are those for change 2007–2010

Inability to afford a holiday

Affordability of a holiday, the second deprivation indicator used in this analysis, also points to a relatively sharp division between the NMS and the EU15. The proportion of households not able to pay for a week's holiday in 2007 was very high in Bulgaria, Hungary, Latvia, Lithuania, Malta, Poland, Romania and Slovakia, where a half or more of families could not meet this need. The figures for Cyprus and Estonia were also considerably above the EU average (Figure 7). However, such difficulties were relatively rarely experienced in the Benelux and Scandinavian countries.

Figure 7: *Households not able to afford a week's holiday 2007, and change 2007–2010*



Note: Percentages within the graph are those for change 2007–2010

The crisis has brought more difficulties for EU citizens even in countries where people had hardly experienced them before. Between 2007 and 2010, the number of households not in a position to pay for a short holiday increased virtually all over the EU and, in some Member States, considerably. The largest absolute increase was in Ireland (18 percentage points), where the proportion of people not able to pay for a week's holiday doubled in the three years. Clear signs of the worsening were spotted in 2009 (8 percentage points increase), but the largest rise occurred in 2010 (10 percentage points).

A similar development was observed in many other countries. A considerable, two-digit increase in the percentage of households that could not afford a holiday occurred in the Czech Republic, Hungary, Latvia, Spain and the UK, followed by Belgium, Estonia, France and Portugal, where the deprivation rate rose by 7–9 percentage points between 2007 and 2010. Even the Scandinavian countries witnessed an increase in the number of people who had to give up their holiday plans, probably in order to meet more urgent needs. The only countries where a noteworthy improvement was found were Cyprus and Poland.

Deprivation faced by specific population groups

It is also important to document and analyse the extent of changes in the selected deprivation indicators for specific population groups (categorised by gender, age group and employment status). While survey data can shed light on these issues, it is acknowledged that such data can only reflect the views and experiences of relatively large social groups within the EU, since the samples are too small to document the changing situation of some groups at risk (for example, single parents or migrants), while other socially excluded groups (for example, homeless people) are not represented in the sample (Eurofound, 2010, p. 2).

The EQLS identifies groups under a high risk of material deprivation in 2007, including people suffering from financial difficulties and those out of work (Table 2). The likelihood of these groups scoring on the selected deprivation indicators was two to three times higher than for EU citizens on average. The retired and elderly (that is, those aged 65 years and over) also faced increased risk of deprivation. With the economic crisis, the situation for all these groups deteriorated further, with the jobless and people suffering financial hardship hit the hardest. For them, the risk of nutritional deprivation increased at a higher pace (by 6 percentage points) than for other groups and for all EU citizens on average (4 percentage points).

Table 2: *Material deprivation (%)*

	Cannot afford a proper meal			Cannot afford a week's holiday		
	2007	2010	Change	2007	2010	Change
EU27	7	11	4	30	38	8
EU15	4	6	3	24	31	7
NMS12	20	23	2	55	57	2
Male	6	10	4	27	34	7
Female	8	12	4	33	42	9
Age: 18–34	6	9	3	29	36	7
35–64	7	11	5	29	38	9
65+	9	14	4	34	42	8
Employed	5	7	3	23	30	7
Unemployed	17	23	6	59	67	8
Retired	10	15	5	34	43	9
Making ends meet: Easy	2	3	2	7	9	2
Neither easy nor difficult	5	8	3	31	36	5
Difficult	29	34	6	82	86	5

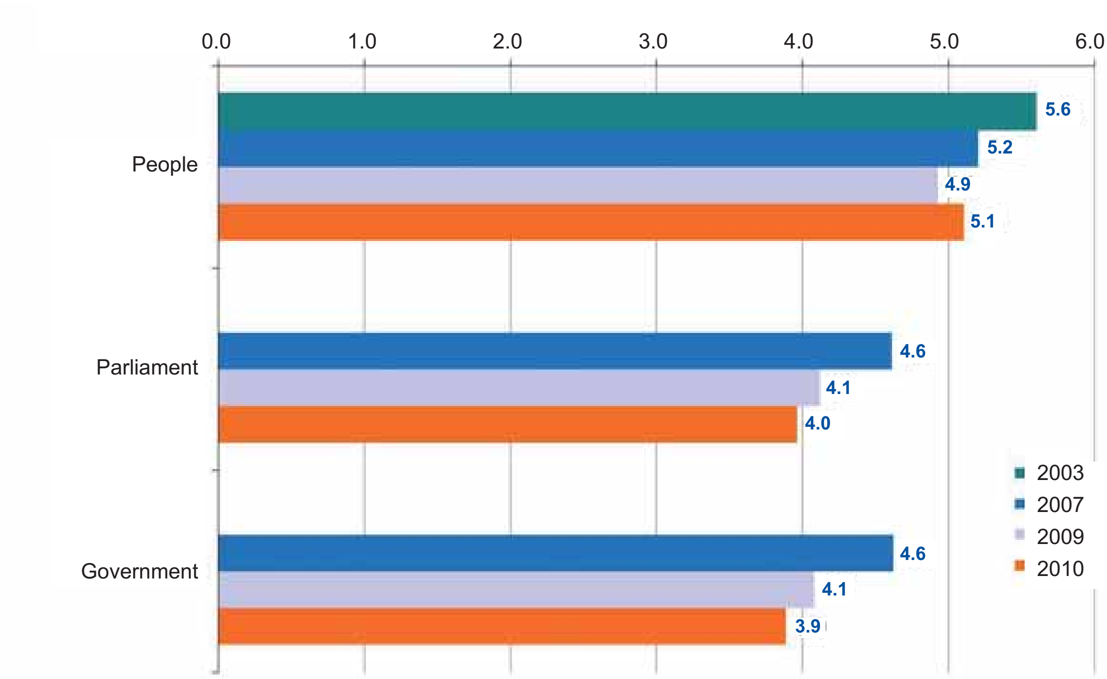
Changes in levels of trust

While the main battleground during the recession is in the area of the economy, the concerns also extend to considerations of whether or not the crisis is depleting social capital. Trust is often seen as a 'soft' resource of societies that fosters civic cooperation, facilitates social integration, and lubricates the business environment.

Overall in the EU, levels of general trust in people decreased even during the period of relative economic improvements (2003–2007), and dropped further in the first phase of the crisis (2009). However, trust in people showed some elasticity later on, rising somewhat in 2010 (see Figure 8). Trust in political institutions, in contrast, plummeted continuously in most countries, showing a considerable drop at EU level since 2007. The loss of trust in government was notable across most sociodemographic groups in 2009, and continued to decline in 2010, especially among young people (18–34 age group) and the unemployed. The background to the disillusionment of the young in many countries is the rise in youth unemployment and the increasing share of the so-called NEET ('not in employment, education or training') population (Eurofound, 2011).

Since there is little difference between the reported trust levels in particular branches of government (parliament or the government), this decrease in trust seems to reflect the change in the political climate generally, rather than dissatisfaction with particular political decisions. Even though trust in political institutions is susceptible to rapid and great change, and may be considerably influenced by background events such as elections, the decrease reflected a tendency apparent in most European countries. The exceptions – countries where trust in government was higher in 2010 than it was in 2007 – were Bulgaria, Hungary, Italy and Sweden.

Figure 8: *Trust in people and in political institutions in the EU, average score (scale 1–10)*



Questions used: 1. Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people? Please tell me on a scale of 1 to 10, where 1 means that you can't be too careful and 10 means that most people can be trusted. 2. Please tell me how much you personally trust each of the following institutions. Please tell me on a scale of 1 to 10, where 1 means that you do not trust at all, and 10 means that you trust completely: [national] parliament; the government.

Note: Questions on trust in government and parliament were introduced to the EQLS in 2007 and therefore data for 2003 are not shown.

There were six countries where the level of general trust in people in 2010 returned to or exceeded the level registered in 2007: Austria, Bulgaria, France, Greece, Italy and Lithuania (Figure 9). It is worth noting that there was a continued decrease in general trust levels (albeit of differing extent) since 2003 in several countries: Belgium, Germany, Ireland, Latvia and the UK. The decreasing average level of trust in the EU since 2003 (rather than after 2007 only) suggests that there might be broader changes in quality of society taking place that go beyond or are not exclusively limited to the impact of the recession.

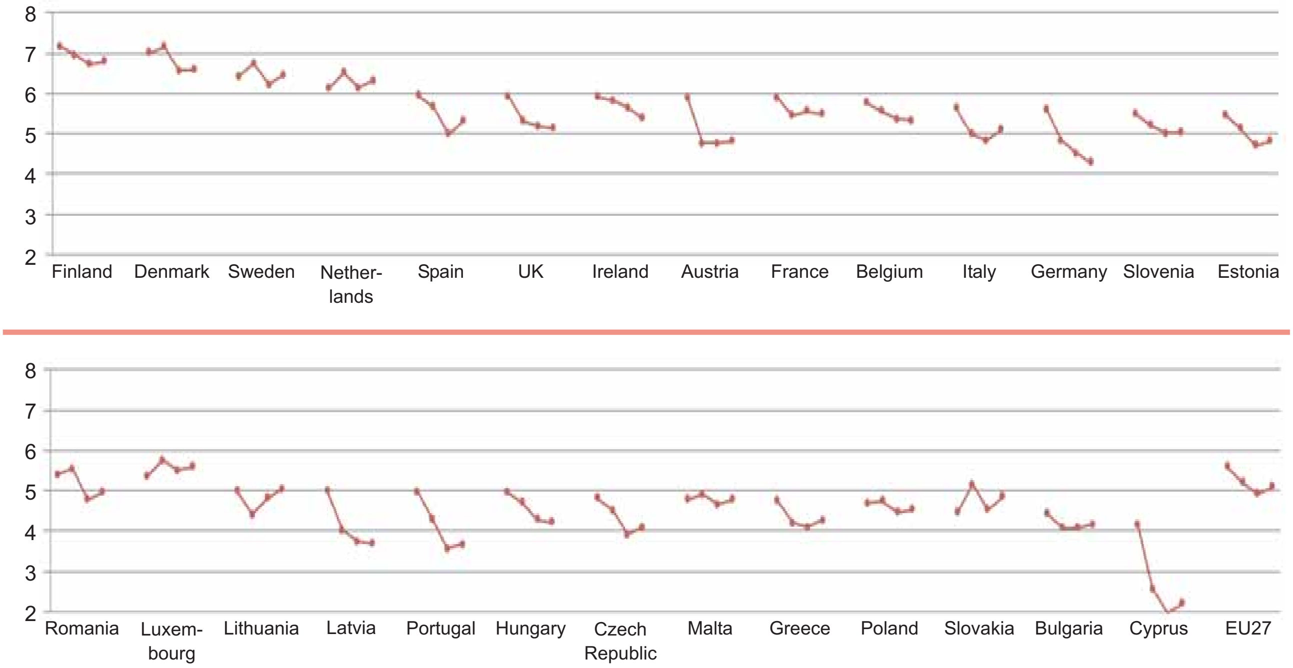
Nevertheless, the sociodemographic and country group breakdown (Table 3) reveals that trust has declined relatively more in the 12 Member States that joined the EU during the last decade than in the rest of the EU. However, trust levels among the retired and elderly were affected more negatively than trust levels among other categories across the EU as a whole.

Whether or not the recession will eventually prompt greater solidarity and trust is a question for the future. The next opportunity to check the trends across the EU countries will occur when the data from the third EQLS, collected by Eurofound in late 2011 and early 2012, are analysed.

Table 3: *Trust in people (average score and percentage change)*

	Trust in people (scale 1–10)				
	2007	**2009**	**2010**	**Change 2007-2009**	**Change 2007-2010**
EU27	5.20	4.93	5.11	-5%	-25
EU15	5.30	5.06	5.35	-5%	1%
NMS12	4.83	4.43	4.54	-8%	-6%
Male	5.25	5.03	5.18	-4%	-1%
Female	5.16	4.83	5.04	-6%	-2%
Age: 18–34	5.16	4.90	5.11	-5%	-1%
35–64	5.21	4.97	5.13	-5%	-2%
65+	5.25	4.84	5.04	-8%	-4%
Employed	5.27	5.09	5.25	-35	0%
Unemployed	4.46	4.44	4.64	0%	4%
Retired	5.20	4.86	5.04	-7%	-3%

Figure 9: *Trust in people, average score (scale 1–10) in 2003, 2007, 2009 and 2010*



Note: Countries are ordered by their score in 2003.

Conclusions

The years until 2007 were quite prosperous for the EU and its citizens. Member States witnessed stable and strong economic growth, especially those countries that joined the EU in 2004 and 2007. It was a period of significant job creation, with unemployment rates falling to a historically lowest level. In such a situation both the standard of living and overall well-being of European citizens improved.

In 2008, the situation started to deteriorate. Growth in GDP became modest or even turned negative, with unemployment increasing rapidly. The situation got much worse in 2009. By the end of that year, all EU economies, with the exception of Poland, had gone into recession, the deepest in the history of the EU. Bulgaria, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania and Romania were among the countries most affected by the crisis.

The time of crisis brought new challenges to citizens of the Member States. Many saw their standards of living deteriorating. This decline was observed both in countries hit most by the crisis and those less affected, although the countries that experienced the deepest recession were often found to suffer the greatest losses in the aspects of the standard of living examined by this analysis.

Some of the population groups that are traditionally seen as more vulnerable experienced a greater recent decline in material conditions. It appears that the period of the crisis made things exceptionally difficult for the unemployed, among whom the incidence of financial hardship increased considerably between 2007 and 2010. The same is true for those who experience material deprivation. Our findings suggest that the unemployed and retired have been relatively more negatively affected than the other social groups considered. The two indicators used also identified a significant increase in the risk of deprivation for those suffering financial difficulties.

Average levels of general trust in people in the EU declined even during the period of relative economic growth (2003–2007), and dropped further in the first phase of the crisis (2009). However, trust in people showed some elasticity later on and rose in 2010. Trust in political institutions, in contrast, plummeted continuously in most countries, with a considerable drop at the EU level since 2007.

Unfortunately, the financial and economic crisis is not yet over. Countries will continue to have to deal with its effects for some time, as well as with the diminishing standard of living and well-being of their citizens. The resolution of the problems will be neither quick nor easy. However, national policies focused on getting public finances in order and enhancing growth and employment should take account of the level of 'hits' already taken by their citizens, especially by people who are vulnerable, on the margin of society and on a low income. The burden of the economic crisis needs to be shared by all social groups in such a way that the most disadvantageous do not end up living under intolerable conditions.

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