

The disposable income of Households: an international comparison

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1. Introduction¹

The integration process in Europe has enhanced the production and the diffusion of integrated statistics; this is the case of national accounts by institutional sector for the Euro Area (EA15) and for the European Union (EU27) which are currently published by Eurostat and ECB both on an annual basis since 2006 (ASA) and on a quarterly basis since 2007 (QSA). ASA and QSA time series, starting from 1999, are also available for each Member State on dedicate Eurostat website². The information provided by such accounts has to be analysed in the framework of the economic structure and features which characterize each country.

The present paper focuses on the Household sector and shows the most meaningful patterns of some key macroeconomic indicators along the period 2000-2007 for the EA³, EU⁴ and for thirteen selected European countries, namely Italy, Germany, France, Spain, Portugal, the United Kingdom, the Netherlands, Belgium, Norway, Poland, Czech Republic, Romania, Greece.

The *Household sector*⁵ covers individuals or group of individuals whose principal function is consumption. It also includes own-account workers or entrepreneurs and unincorporated partnerships producing goods and services, when their activities cannot be separated from those of their owners (in particular, they do not keep a separate set of accounts). It may include a higher (e.g. Italy) or lower proportion of unincorporated enterprises depending on the structure of the economy. This generates quite relevant differences in the generation of primary incomes in the different countries and may impact on saving and investment rates of the Households.

Section 2 provides an analysis of Households gross operating surplus and its components in each selected country compared to EU and EA.

In section 3 the analysis is extended to the composition of Households primary income across the selected European countries and for EU and EA.

Section 4 provides an overview of the redistribution process. The pattern of relevant indicators, such as the tax burden, the saving rate and the investment rate is analysed.

Keywords: Sector Accounts, Households

2. The generation of income for Households

This section discusses the features of the productive activities of the Household sector in EU/EA and in selected European countries, providing a comparison of the processes underlying the generation of the gross operating surplus.

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²The website is http://epp.eurostat.ec.europa.eu/portal/page/portal/sector_accounts/.

³ The euro area (EA) consists of 15 Member States: Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia and Finland plus the European Central Bank.

⁴ The European Union (EU) consists of 27 Member States: Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom plus the European Central Bank and the EU institutions.

⁵ In this paper the Households sector is complemented by non-profit institutions serving households (NPISHs).

To start with, it is necessary to assess the comparability of national statistics, especially with reference to the operational criteria used to apply ESA95 definition in order to classify the institutional units into institutional sectors.

The Households sector includes productive units that differ both in terms of organization and size among the EU countries. Table 2.1 provides a description of the institutional units classified in the Households sector in some European countries⁶: the definition of the sector appears in many instances to be in accordance with the spirit of ESA95.

Table 2.1 - Productive units classified in the Household sector

Belgium	All units having 'physical person' status and non profit institutions (NPIs) without staff: these are units with just a few employees, since for administrative and tax reasons larger firms tend to be organized as "moral person" classified in the non-financial corporations sector
Germany	Sole proprietorship, self-employer, partnerships without independent legal status
France	Sole proprietorship
Italy	Own account workers; sole proprietorships, informal and de facto partnerships that employ up to 5 employees; financial auxiliaries with no employees and private and non-market NPIs with no economic relevance
Netherlands	All unincorporated enterprises (sole proprietorships and partnerships) with less than 100 employees; private and non-market NPIs without paid employees
Portugal	Self-employer; business trading under an individual's name (sole proprietorships and sole traders); limited liability one-person business
United Kingdom	Sole traders
Norway	Employers (as owners of unincorporated enterprises with employees) and own-accounts workers

Source: Task Force on Quarterly European Accounts by Institutional Sector

In the period 2000-2007 the Households sector contributes to the generation of 22.8% of the total value added for the European Union and of 24% of the Euro Area. Nevertheless the weight of Households, defined in terms of the share of value added produced, differs considerably among the European countries analysed (see Table 2.2). In the years 2000-2007, on average, in Italy, Spain, Poland and Romania Household account for 28.7% to 34.7% of total value added. Greece records the highest average weight (49.4%) while for Germany, France, Portugal and Czech Republic the average share is similar to the one for EU, ranging from 21% to 23.5%. In the United Kingdom, the Netherlands, Belgium, Norway the weight of the sector is slightly lower (11.1%-18.2%). Both in EU and EA the share of total value added produced by Households is broadly stable during the years under review. A same pattern occurs in Italy and the United Kingdom; while in the most part of the countries the importance of Households sector decreases. An increase has been registered only in Greece, France and especially in Spain.

The average share of total compensations of employees⁷ paid by enterprises classified in the Households sector is of 9.5% in EU and 10% in EA. This provides a measure of the size of the productive units included in the sector. In Spain, Germany and Greece the share is higher than in EU, respectively equal to 11.4%, 14.3% and 27%. In the other countries the share is lower than EU varying from 6.5% in France to 9.8% in Poland.

In Belgium and Norway the share is much lower, accounting for 3.3% and 5.1% respectively.

As to the gross operating surplus⁸ and mixed income⁹ the average share of Households on total economy is 40.1% in EU and 41.1% in EA; the share does not vary significantly along the whole period. Table 2.2 shows strong differences among the European countries. In Italy, Spain, Poland and Romania about half of total gross operating surplus is generated by the Households sector; in Greece this share exceeds the 60%. In France and Portugal the share is 43% and 42.3% respectively. The other countries record a lowest share included between 17.9% and 36.8%.

⁶ On the occasion of the meeting of the Task Force on Quarterly European Accounts by Institutional Sector held in October 2003 a document, doc. TF-QSA-0310-04, was circulated. It describes the classification criteria used to define institutional sector by several European countries.

⁷ Compensation of employees is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period" (ESA95, para. 4.02).

⁸ Gross operating surplus derives from owner-occupied dwellings for the household sector.

⁹ Mixed income accrues to self-employed households as remuneration for work carried out by the owner or members of the family which cannot be distinguished from the profit as entrepreneur.

Table 2.2 - Share of gross value added, compensation of employees and gross operating surplus on total economy for Households,%

		2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	B.1g	28.6	28.2	28.7	28.9	29.1	28.6	28.7	28.8	28.7
	D.1	7.4	7.3	7.8	7.6	7.4	7.5	7.6	7.8	7.6
	B.2g*	46.6	46.0	46.7	47.4	47.7	47.9	48.9	48.7	47.5
DE (Germany)	B.1g	24.1	23.8	23.9	23.6	23.1	23.2	23.1	23.1	23.5
	D.1	14.5	14.5	14.5	14.5	14.2	14.2	14.1	14.1	14.3
	B.2g*	38.0	37.0	37.0	36.1	34.8	34.5	34.2	34.1	35.7
FR France)	B.1g	20.9	21.2	21.1	20.9	20.9	20.9	21.0	21.2	21.0
	D.1	6.7	6.7	6.6	6.5	6.5	6.4	6.3	6.4	6.5
	B.2g*	42.4	43.4	43.3	42.8	43.0	43.1	43.1	43.2	43.0
ES (Spain)	B.1g	28.2	28.5	28.9	29.2	29.4	30.0	30.4	30.3	29.4
	D.1	11.2	11.2	11.4	11.4	11.4	11.4	11.4	11.4	11.4
	B.2g*	48.7	48.8	49.1	49.7	49.7	51.1	52.2	51.7	50.1
PT (Portugal)	B.1g	23.8	23.5	23.2	23.5	23.2	22.8	22.2	21.6	23.0
	D.1	8.9	9.0	8.8	8.8	8.7	8.5	8.6	8.6	8.7
	B.2g*	44.0	43.0	42.7	43.4	42.3	42.6	41.0	39.7	42.3
UK (United Kingdom)	B.1g	17.9	18.3	18.3	18.4	18.4	18.2	18.1	...	18.2
	D.1	9.2	9.2	9.3	9.4	9.2	9.2	9.1	9.1	9.2
	B.2g*	33.6	34.9	34.2	33.9	34.2	34.2	33.7	33.6	34.0
NL (Netherlands)	B.1g	17.3	17.1	16.5	16.1	16.1	16.0	16.6	17.1	16.6
	D.1	7.2	7.3	7.3	7.3	7.2	7.2	7.2	7.2	7.3
	B.2g*	30.2	29.8	28.5	27.8	27.7	26.7	28.0	29.3	28.5
BE (Belgium)	B.1g	19.2	19.0	18.4	18.3	17.8	17.6	17.3	17.4	18.1
	D.1	3.4	3.4	3.4	3.4	3.4	3.3	3.2	3.1	3.3
	B.2g*	39.2	40.0	38.5	37.7	35.5	34.8	34.2	34.2	36.8
NO (Norway)	B.1g	11.7	11.7	12.4	12.2	11.1	10.3	9.7	9.6	11.1
	D.1	5.2	5.2	5.2	5.0	5.2	5.0	4.8	4.8	5.1
	B.2g*	18.9	19.2	21.3	20.8	17.8	15.6	14.6	14.6	17.9
PO (Poland)	B.1g	35.2	35.8	36.1	35.3	34.4	34.2	33.5	33.0	34.7
	D.1	10.1	9.1	9.7	10.4	10.3	10.0	9.7	9.2	9.8
	B.2g*	56.9	59.7	58.1	55.1	52.1	51.8	51.3	50.2	54.4
CZ (Czech Republic)	B.1g	22.9	22.3	21.5	22.2	21.3	20.0	19.3	18.6	21.0
	D.1	8.3	8.2	7.8	8.0	7.5	6.8	6.5	6.2	7.4
	B.2g*	34.6	33.7	33.4	34.7	33.4	31.8	30.7	29.6	32.7
RO (Romania)**	B.1g	31.6	32.9	30.6	27.2	29.8	27.9	27.3	...	29.6
	D.1	5.3	3.1	5.0	5.6	6.0	6.7	7.4	...	5.6
	B.2g*	52.3	58.2	50.7	42.7	46.1	44.4	41.9	...	48.0
GR (Greece)**	B.1g	47.7	50.5	50.4	50.6	49.3	48.9	48.6	...	49.4
	D.1	26.1	26.5	26.5	27.0	27.1	27.4	28.1	...	27.0
	B.2g*	61.0	65.6	66.2	65.7	63.7	63.0	63.1	...	64.0
EA (Euro Area)	B.1g	24.1	24.0	24.1	24.0	23.9	23.9	24.0	24.1	24.0
	D.1	10.3	10.2	10.1	10.0	9.9	9.8	9.8	9.8	10.0
	B.2g*	41.6	41.3	41.4	41.1	40.8	40.8	41.0	41.1	41.1
EU (European Union)	B.1g	22.8	22.9	22.9	22.9	22.8	22.7	22.7	22.9	22.8
	D.1	9.7	9.6	9.6	9.6	9.4	9.4	9.3	9.3	9.5
	B.2g*	40.4	40.7	40.6	40.3	39.9	39.8	39.8	39.9	40.1

* B.2g including mixed income

Source: Elaboration on Eurostat data

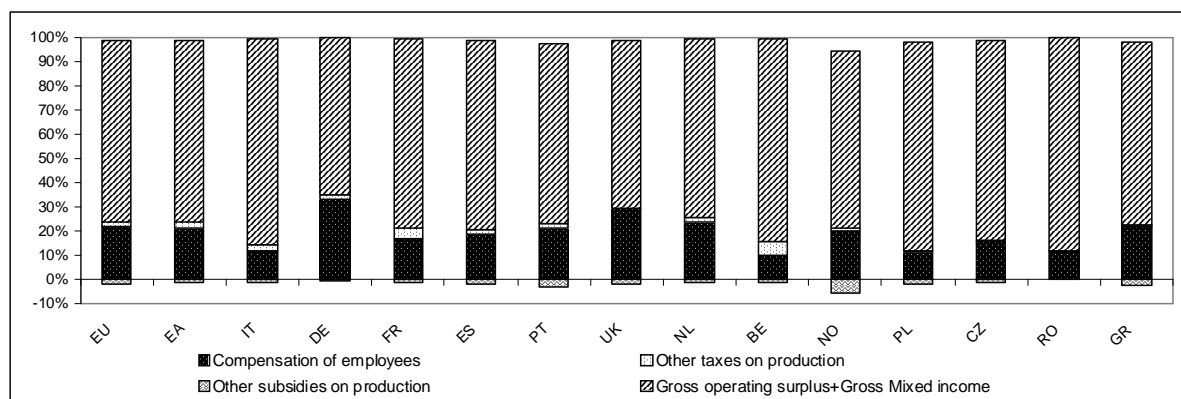
** data available until 2006

Chart 2.1 displays compensation of employees, other taxes on production, other subsidies on production and gross operating surplus, including mixed income, in proportion to gross value added for EU, EA and the selected countries in 2006. For the European Union the gross operating surplus and mixed income represent 76.9% of gross value added of the households sector: the compensation of employees and the taxes less subsidies on production absorb 22.3% and 0.8% of gross value added, respectively. In Italy, Belgium, Poland and Romania the share of gross operating surplus and mixed income varies from 85.1% in Belgium to 89.2% in Poland. In these countries the share of gross value added absorbed by compensations of employees is the lowest, while it is the highest in Germany (33.4%), the United Kingdom (30.6%) and the Netherlands (24.1%).

In some European countries other subsidies on production received by the enterprises classified in the Household sector exceed the amount of the other taxes paid by the ones; this is clearly visible in Norway where in 2006 the other subsidies on production represent more than 6% of the gross value added and the other taxes only 2.1%.

In Belgium the taxes on production paid by the Households are particularly high and absorb 5.6% of the gross value added.

Chart 2.1 - Generation of income: components in percentage of gross value added for Households in 2006



Source: Elaboration on Eurostat data

Table 2.3 details, limited to those countries for which the information is available, the share of mixed income on gross operating surplus including mixed income: this indicates the proportion of operating surplus generated by market activities operated by the productive units classified in Households. Such average share is the highest for Portugal (98.3%), followed by Poland (86.2%) while France and the United Kingdom have the lowest share, respectively 45.8% and 52.8%. In all the other European countries analysed more than three-quarters of total gross operating surplus generated by the Households consist of mixed income.

For Households the composition between mixed income and gross operating surplus is largely stable in whole period 2000-2007.

Table 2.3 - Share of mixed income on gross operating surplus, including mixed income, for Households,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	72.6	72.4	71.4	71.0	70.5	69.2	68.5	68.0	70.5
DE (Germany)	73.3	71.9	70.2	69.6	69.9	69.8	70.1	69.6	70.6
FR France)	47.5	48.0	47.6	46.5	45.6	44.3	43.6	42.9	45.8
ES (Spain)	78.1	79.1	79.7	79.8	79.2	79.0	78.8	79.1	79.1
PT (Portugal)*	98.9	99.0	98.9	98.3	98.0	97.7	97.5	...	98.3
UK (United Kingdom)	53.7	53.6	53.9	52.8	52.8	52.2	52.3	51.2	52.8
BE (Belgium)	66.2	65.8	65.3	65.4	65.8	64.7	63.7	63.1	65.0
PO (Poland)	85.1	85.8	85.5	85.8	86.5	86.5	87.1	87.1	86.2
CZ (Czech Republic)	78.9	79.1	78.9	79.7	79.0	77.5	77.8	77.3	78.5

* data available until 2006

Source: Elaboration on Eurostat data

3. The allocation of primary income for Households

The aim of this section is to analyse the allocation of primary income of Household sector across the selected European countries and for the European Union (EU27) and the Euro Area (EA15) considered as a single economy.

“Gross (or net) national income (at market prices) represents total primary income received by residential institutional units: compensation of employees, taxes on production and import less subsidies, property income (receivable less payable), gross (or net) operating surplus and gross (or net) mixed income” (ESA95, para. 8.94).

As shown in Table 3.1, compensation of employees¹⁰ is the most important component of Households' primary income, with an average share of 66.8% in the period 2000-2007 for the European Union (the average share is lightly lower and equal to 64.8% for the Euro Area). Among the European countries meaningful distinctions can be noticed: while Greece, Italy, Poland, and Romania have an average share included in the range of 47.1% - 59.6%, Germany, Spain, Czech Republic, Belgium and Portugal have an average share included in the range of 65.3% - 69.9%. France, the United Kingdom, the Netherlands place themselves between 71% - 74.2%; Norway has the highest average share (80%). The contribution of compensation of employees to primary income proved to be fairly volatile during the years under review, even if it registered a noteworthy growth in Italy, Belgium, Norway,

¹⁰See footnote 7.

Czech Republic and Romania and a reduction in Germany and Spain (from 66.6% to 63.3% and from 67.1% to 65.2% respectively).

Table 3.1 - Share of compensations of employees on primary income for Households,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	50.4	50.6	51.2	52.0	52.1	52.9	53.3	53.2	52.0
DE (Germany)	66.6	66.1	66.6	66.1	65.8	64.4	63.4	63.3	65.3
FR (France)	71.1	70.9	71.3	71.4	71.0	71.1	70.8	70.5	71.0
ES (Spain)	67.1	66.8	66.9	66.5	66.1	65.4	64.9	65.2	66.1
PT (Portugal)	69.4	69.6	70.2	69.8	69.9	70.1	70.2	70.0	69.9
UK (United Kingdom)	72.6	72.4	73.4	73.3	73.8	73.1	73.4	73.5	73.2
NL (Netherlands)	72.6	73.1	74.2	75.3	75.4	74.3	74.6	74.1	74.2
BE (Belgium)	66.8	67.3	68.9	69.9	70.3	70.4	70.6	70.6	69.3
NO (Norway)	79.9	82.1	79.5	77.8	77.3	75.2	83.3	84.7	80.0
PO (Poland)	55.2	55.0	54.0	54.9	54.1	54.5	55.4	55.3	54.8
CZ (Czech Republic)	66.3	67.1	68.5	68.8	68.7	69.8	70.0	70.6	68.7
RO (Romania)*	53.9	54.7	59.1	62.3	60.0	63.4	64.2	...	59.6
GR (Greece)*	44.1	45.2	46.8	47.0	48.4	48.8	49.2	...	47.1
EA (Euro Area)	64.9	64.8	65.3	65.3	65.0	64.7	64.3	64.2	64.8
EU (European Union)	66.7	66.6	67.2	67.2	67.1	66.7	66.6	66.5	66.8

* data available until 2006

Source: Elaboration on Eurostat data

Table 3.2 shows that in the period 2000-2007 gross operating surplus¹¹ (including mixed income¹²) on average accounts for 20.9% of primary income in European Union and for 21.8% in the Euro Area. As to the gross operating surplus (including mixed income) in Portugal, Czech Republic, Italy, Spain the average share exceeds the EU/EA one and it is included in the range of 22.1% - 28.6%; Romania, Poland and Greece have the highest average share ranging from 36.5% - 46.9%. Table 3.3 details, limited to those countries for which the information is available, the share of mixed income on total primary income. The relevance of mixed income on primary income is most appreciable in Italy, Spain, Portugal and Czech Republic, ranging from 19,1% to 22,6%; Poland registers the highest share, it is 33,1%.The contribution of gross operating surplus and mixed income to primary income was fairly stable even if there was a considerable growth for Spain, the United Kingdom and Poland; only in Czech Republic and Romania the share decreases in the observed period.

Table 3.2 - Share of gross operating surplus, including mixed income, on primary income for Households,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	28.2	28.0	28.3	28.9	29.4	28.7	28.5	28.6	28.6
DE (Germany)	17.1	16.9	17.3	16.9	17.0	17.2	17.3	17.5	17.1
FR (France)	19.8	20.2	20.0	19.8	19.9	20.0	20.2	20.6	20.1
ES (Spain)	26.8	27.3	28.1	28.4	28.8	29.4	29.9	30.2	28.6
PT (Portugal)	23.0	22.9	22.5	22.5	22.5	21.6	20.8	21.0	22.1
UK (United Kingdom)	14.5	14.7	15.1	15.4	15.7	15.4	15.5	16.1	15.3
NL (Netherlands)	16.6	16.2	15.5	15.2	15.4	15.6	16.8	17.3	16.1
BE (Belgium)	18.6	18.2	17.7	18.0	17.9	18.1	18.1	18.1	18.1
NO (Norway)	16.1	16.1	15.6	15.6	14.5	13.8	14.8	14.0	15.1
PO (Poland)	36.8	37.2	38.0	38.2	39.1	39.1	39.4	39.3	38.4
CZ (Czech Republic)	27.4	26.8	25.9	26.3	26.1	24.7	24.2	23.7	25.6
RO (Romania)*	35.6	37.1	37.9	36.4	39.4	34.8	34.7	...	36.5
GR (Greece)*	44.0	47.2	47.2	48.6	47.5	47.2	46.5	...	46.9
EA (Euro Area)	21.3	21.3	21.6	21.6	21.8	21.9	22.2	22.4	21.8
EU (European Union)	20.3	20.4	20.7	20.8	21.0	21.0	21.3	21.6	20.9

* data available until 2006

Source: Elaboration on Eurostat data

¹¹ See footnote 8.

¹² See footnote 9.

Table 3.3 - Share of mixed income on primary income for Households, %

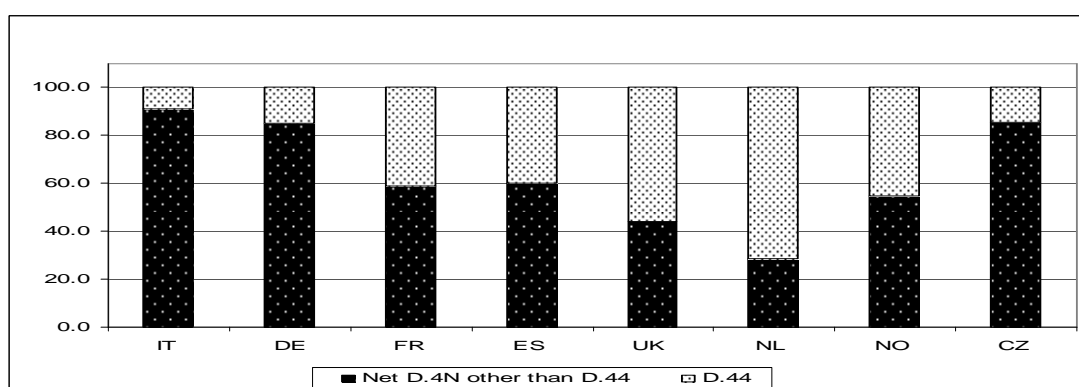
	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	20.5	20.3	20.2	20.5	20.7	19.8	19.5	19.4	20.1
DE (Germany)	12.5	12.1	12.2	11.8	11.9	12.0	12.1	12.2	12.1
FR (France)	9.4	9.7	9.5	9.2	9.1	8.8	8.8	8.8	9.2
ES (Spain)	20.9	21.6	22.3	22.7	22.8	23.2	23.6	23.9	22.6
PT (Portugal)	22.8	22.6	22.3	22.1	22.0	21.1	20.3	0.0	19.1
UK (United Kingdom)	7.8	7.9	8.1	8.1	8.3	8.0	8.1	8.3	8.1
BE (Belgium)	12.3	12.0	11.6	11.8	11.8	11.7	11.5	11.4	11.8
PO (Poland)	31.3	31.9	32.5	32.8	33.8	33.8	34.3	34.2	33.1
CZ (Czech Republic)	21.6	21.2	20.4	20.9	20.6	19.1	18.8	18.3	20.1

Source: Elaboration on Eurostat data

Table 3.4 shows that net property income¹³ represents an average share of 12.3% of primary income in the period 2000-2007 for the European Union and of 13.4% for the Euro Area. Italy and Germany hold the largest average shares respectively equal to 19.5% and 17.5%, even if their pattern is a mirror image as in Germany the share increases substantially (from 16.3% to 19.2%) while its trend is decreasing in the case of Italy. The Netherlands, the United Kingdom and Belgium place themselves between 9.7% and 12.5%. The weight of net property income increases slightly for Portugal, from 7.6% to 9%. A declining trend has characterised all the others country.

Table 3.4 provides a breakdown of net property income into interest received on deposits and debt securities hold by Households minus interest paid on loans (D.41 net) and net property income other than interest¹⁴ (D.4N net). The average share of the first component is 1.3% for the European Union and 2% for the Euro Area, whereas the average share of the second one is 11% for the European Union and 11.4% for the Euro Area. It is interesting to note that interest receivable clearly exceeds the interest payable (in Greece, Italy, and Belgium the average shares are of 5.1% – 5.4%) in among all the countries except for the Netherlands, Norway and the United Kingdom which record negative average shares from -2.1% to -0.6% and realize a significant increase of the percentage in the year 2007. Net property income other than interest represents the largest component of net property income. Its contribution to net property income is stable both in Euro Area and in European Union but the trend is more volatile when comparing the countries. Chart 3.1 shows the share of property income attributed to insurance policy holders on net property income other than interest. The differences among countries mainly relate to the national features of the social security system and of the health system: the more relevant is the weight of private insurers, the higher is the share of D44 on property income. The Netherlands, the United Kingdom and Norway display the most appreciable shares.

Chart 3.1 - Average share of property income attributed to insurance policy holders on net property income other than interest, %



Average share for 2000-2007
EU and EA data are not available

Source: Elaboration on Eurostat data

¹³ Net property income is equal to property income receivable minus property income payable.

¹⁴ Net property income other than interest is constituted by: distributed income of corporations, property income attributed to insurance and pension funds policy holders and rents.

Table 3.4 - Share of net property income, and its components, on primary income for Households,%

		2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	D.4 net	21.4	21.4	20.5	19.1	18.5	18.5	18.2	18.2	19.5
	<i>D.41 net</i>	6.9	6.8	5.6	5.2	4.7	4.5	4.8	4.8	5.4
	<i>D.4N net</i>	14.5	14.7	14.9	13.9	13.9	14.0	13.4	13.5	14.1
DE (Germany)	D.4 net	16.3	17.0	16.1	17.0	17.2	18.4	19.2	19.2	17.5
	<i>D.41 net</i>	0.1	0.3	0.3	0.8	0.9	0.8	1.1	0.9	0.6
	<i>D.4N net</i>	16.1	16.7	15.8	16.2	16.3	17.6	18.2	18.3	16.9
FR France)	D.4 net	9.1	8.9	8.7	8.8	9.1	8.9	9.0	8.9	8.9
	<i>D.41 net</i>	2.4	2.2	1.8	1.6	1.4	0.9	1.0	0.9	1.5
	<i>D.4N net</i>	6.7	6.7	7.0	7.2	7.8	8.0	8.0	8.1	7.4
ES (Spain)	D.4 net	6.1	5.9	5.0	5.1	5.0	5.1	5.2	4.6	5.3
	<i>D.41 net</i>	2.9	2.7	1.9	1.5	1.4	1.2	0.9	0.4	1.6
	<i>D.4N net</i>	3.2	3.2	3.2	3.6	3.7	3.9	4.2	4.2	3.6
PT (Portugal)	D.4 net	7.6	7.6	7.3	7.7	7.6	8.3	9.0	9.0	8.0
	<i>D.41 net</i>	4.3	3.4	2.8	2.7	1.7	2.0	1.8	1.8	2.6
	<i>D.4N net</i>	3.3	4.2	4.4	5.0	5.9	6.4	7.2	7.2	5.4
UK (United Kingdom)	D.4 net	13.0	13.0	11.5	11.3	10.5	11.6	11.1	10.3	11.5
	<i>D.41 net</i>	-0.2	-0.2	-0.5	-0.6	-1.0	-0.7	-0.7	-1.3	-0.6
	<i>D.4N net</i>	13.2	13.2	12.0	11.9	11.4	12.3	11.8	11.6	12.2
NL (Netherlands)	D.4 net	10.8	10.7	10.3	9.5	9.2	10.2	8.6	8.6	9.7
	<i>D.41 net</i>	-1.8	-1.8	-1.7	-1.6	-1.7	-1.8	-2.7	-3.3	-2.1
	<i>D.4N net</i>	12.6	12.5	12.0	11.1	11.0	12.0	11.4	11.9	11.8
BE (Belgium)	D.4 net	14.6	14.5	13.4	12.1	11.8	11.5	11.3	11.3	12.5
	<i>D.41 net</i>	7.7	7.3	6.4	5.1	4.8	4.1	3.8	3.8	5.4
	<i>D.4N net</i>	6.9	7.2	7.0	7.0	7.0	7.3	7.5	7.5	7.2
NO (Norway)	D.4 net	4.0	1.8	4.8	6.6	8.2	11.0	2.0	1.3	5.0
	<i>D.41 net</i>	-2.3	-2.7	-2.7	-2.1	-0.9	-0.7	-1.3	-2.2	-1.9
	<i>D.4N net</i>	6.3	4.5	7.5	8.7	9.1	11.8	3.2	3.5	6.8
PO (Poland)	D.4 net	8.1	7.8	8.0	6.8	6.8	6.4	5.2	5.4	6.8
	<i>D.41 net</i>	3.8	3.2	3.7	2.9	2.5	2.2	1.1	1.2	2.6
	<i>D.4N net</i>	4.3	4.5	4.3	4.0	4.2	4.3	4.1	4.2	4.2
CZ (Czech Republic)	D.4 net	6.3	6.1	5.6	4.9	5.2	5.5	5.8	5.7	5.6
	<i>D.41 net</i>	3.0	2.4	1.8	1.2	0.9	1.0	0.9	0.7	1.5
	<i>D.4N net</i>	3.4	3.7	3.8	3.7	4.3	4.6	4.9	5.0	4.2
RO (Romania)*	D.4 net	10.5	8.3	3.1	1.3	0.7	1.8	1.1	...	3.8
	<i>D.41 net</i>	4.2	2.9	2.1	0.3	-0.3	0.6	-0.2	...	1.4
	<i>D.4N net</i>	6.4	5.3	0.9	1.0	0.9	1.2	1.3	...	2.4
GR (Greece)*	D.4 net	11.9	7.6	6.0	4.4	4.1	4.0	4.3	...	6.1
	<i>D.41 net</i>	9.7	6.3	5.4	3.9	3.8	3.3	3.2	...	5.1
	<i>D.4N net</i>	2.2	1.2	0.6	0.5	0.4	0.7	1.1	...	1.0
EA (Euro Area)	D.4 net	13.8	13.9	13.1	13.1	13.1	13.4	13.5	13.3	13.4
	<i>D.41 net</i>	2.6	2.5	2.1	2.0	1.8	1.6	1.6	1.4	2.0
	<i>D.4N net</i>	11.2	11.4	11.0	11.0	11.3	11.7	11.9	11.9	11.4
EU (European Union)	D.4 net	13.0	13.0	12.1	12.0	11.9	12.2	12.2	11.9	12.3
	<i>D.41 net</i>	1.9	1.9	1.5	1.4	1.2	1.1	1.0	0.7	1.3
	<i>D.4N net</i>	11.0	11.2	10.6	10.6	10.7	11.2	11.2	11.2	11.0

* data available until 2006

Source: Elaboration on Eurostat data

3.1 An overview on compensation of employees and primary income

This section provides further international comparisons with compensation of employees and primary income. Firstly per-capita compensation of employees¹⁵ have been analysed expressing them in purchasing power standards¹⁶ (PPS) in order to eliminate the bias introduced by differences in price levels between European countries. Then per-capita compensation of employees have been compared to the EU per-capita compensation. Table 3.5 shows that the average ratio is equal to 108.1% for the Euro Area in proportion to the European Union, with a gradual descending trend in the years under reviews. The United Kingdom, France and Belgium record average ratios included in the range of 118% - 137.8%, then Germany, Italy, Norway and the Netherlands place themselves between 104.8% - 111.4%.

¹⁵ Per-capita compensation of employees was derived by the ratio of total compensation of employees to total employees.

¹⁶ Purchasing Power Standards are fictive 'currency' units that remove differences in purchasing power, i.e. different price levels between countries. Thus, the same nominal aggregate in two countries with different price levels may result in different amounts of purchasing power. Figures expressed in Purchasing Power Standards are derived from figures expressed in national currency by using Purchasing Power Parities (PPP) as conversion factors. These parities are obtained as a weighted average of relative price ratios in respect to a homogeneous basket of goods and services, both comparable and representative for each country. They are fixed in a way that makes the average purchasing power of one euro in the European Union equal to one PPS. (from Annual national accounts, Reference Metadata in Euro SDMX Metadata Structure (ESMS), by Eurostat).

Table 3.5 - Per-capita compensation of employees on EU per-capita compensation of employees expressed in PPS,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	114.0	114.2	106.1	104.0	102.1	102.7	103.3	102.0	106.0
DE (Germany)	106.1	104.2	103.7	106.2	105.8	105.8	104.4	102.2	104.8
FR France)	119.1	119.2	121.1	117.8	117.8	119.7	119.8	120.2	119.3
ES (Spain)	100.9	99.2	100.1	98.4	96.7	95.6	96.5	98.4	98.2
PT (Portugal)	71.1	69.9	69.9	71.3	69.8	73.8	73.4	73.6	71.6
UK (United Kingdom)*	114.7	116.6	116.6	117.1	120.2	120.4	120.5	0.0	118.0
NL (Netherlands)	111.3	110.0	111.7	110.3	112.7	111.8	111.5	111.7	111.4
BE (Belgium)	139.6	139.0	143.0	140.8	136.2	134.1	134.1	135.5	137.8
NO (Norway)	105.6	106.2	108.3	109.9	112.6	115.0	116.4	116.0	111.3
PO (Poland)	51.1	53.1	53.5	53.3	53.0	52.1	51.1	49.8	52.1
CZ (Czech Republic)	52.9	54.4	56.0	61.4	61.8	62.0	63.2	65.0	59.6
RO (Romania)*	35.9	40.6	30.0	30.7	31.4	35.9	38.0	0.0	34.6
GR (Greece)*	85.0	87.6	92.3	91.9	93.2	93.9	95.6	0.0	91.4
EA 15 (Euro Area)	110.4	109.3	108.5	108.0	107.2	107.3	107.1	106.9	108.1
EU 27 (European Union)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* data available until 2006

Source: Elaboration on Eurostat data

All the other countries are in a lower position than EU per-capita compensation of employees, even if it is noteworthy to point out the notable growth of Greece and Czech Republic.

Table 3.6 - Per-capita primary income on EU per-capita primary income,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	114.1	114.8	115.6	116.5	115.4	113.8	112.3	110.4	114.1
DE (Germany)	140.8	138.0	134.9	135.2	131.9	129.0	127.6	125.9	132.9
FR France)	122.5	122.1	122.9	124.5	124.2	122.8	122.0	121.3	122.8
ES (Spain)	80.9	82.5	84.4	88.3	89.5	91.9	94.0	94.1	88.2
PT (Portugal)	60.3	60.3	61.0	62.1	61.5	61.6	60.6	59.8	60.9
UK (United Kingdom)	143.3	142.3	140.8	133.1	136.1	137.4	136.7	134.8	138.1
NL (Netherlands)	128.3	130.0	130.7	130.8	128.4	126.8	125.4	127.1	128.4
BE (Belgium)	134.1	133.9	132.3	131.4	129.3	127.8	126.9	127.3	130.4
NO (Norway)	152.0	151.0	171.0	165.4	160.1	174.2	161.4	165.4	162.6
PO (Poland)	25.1	28.0	26.4	23.1	23.3	26.5	27.6	29.7	26.2
CZ (Czech Republic)	26.3	28.2	32.0	32.6	33.4	36.3	39.1	41.0	33.6
RO (Romania)*	9.4	10.4	9.9	9.5	11.0	14.1	16.1	...	11.5
GR (Greece)*	66.5	67.3	70.5	74.6	76.7	78.6	81.2	...	73.6
EA (Euro Area)	116.5	116.1	115.9	117.3	116.3	115.2	114.7	114.0	115.8
EU (European Union)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* data available until 2006

Source: Elaboration on Eurostat data

Secondly we express Household primary income sized according to population¹⁷. Table 3.6 compares per-capita primary income to EU per-capita primary income. The average ratio is equal to 115.8% for the Euro Area in the period 2000-2007. Belgium, Germany, the United Kingdom and Norway position themselves in the range of 130.4% - 162.6% while Italy, France and the Netherlands follow them in the range of 114.1% - 128.4%. Besides Spain and Norway display a full growth in the period 2000-2007, while Germany and the United Kingdom show a plain decrease.

¹⁷ Per-capita primary income was derived by the ratio of primary income to population.

4. The secondary distribution and the use of disposable income for Households

This section discusses the main features of the income redistribution for the Households in European countries for the period 2000-2007. The analysis is based on annual sector accounts for some countries, the European Union (EU27) and the Euro Area (EA15).

The secondary distribution of income account shows how primary income of each institutional sector is modified because of current taxes on income and wealth (D.5), social contributions (D.61) and benefits (D.62), and other current transfers (D.7). The balancing item of the account is disposable income¹⁸ (B.6g).

This section focuses on the presence of distinctive features of the economic behaviour of the Households among the European countries analysed and offers some elements to evaluate the welfare system.

4.1 Redistribution impact on primary income in European countries

Table 4.1 shows the income redistribution process for the Households sector in European countries in the period 2000-2007: in all countries current taxes and social contributions paid to general government and rest of world are higher than the benefits and transfers that Households receive from general government, NPIs and corporations over all the period so the net effect of the redistribution transactions on disposable income is negative. The effects of redistribution are quite different country by country: they can be measured by the ratio disposable income (B.6g, after secondary distribution) to primary income (B.5g, before secondary distribution). Such a share is quite similar in the European Union and the Euro Area, respectively 87.6% and 88% in 2007. In most of the countries (Germany, the United Kingdom, the Netherlands, Belgium, Norway, Czech Republic) the ratio is lower than EU/EA, only in four countries, notably Italy, France, Spain and Portugal it is higher than EU/EA. In 2007 the share of B.6g on B.5g is the lowest for the Netherlands (75.7%) and the highest for Portugal (98.9%), to indicate two quite different processes of income redistribution.

In 2007, EU Households use a considerable part of their primary income for current taxes (D.5) and social contributions (D.61), respectively the 14.2% and 23.3%; on the other hand, social benefits (D.62) and net current transfers (D.7) increase EU Households primary income, respectively of 23.7% and 1.4%. In Italy, the United Kingdom, Belgium and Norway the share of primary income used to pay current taxes is higher than EU. As shown in Table 4.1, the highest share is in Norway (20.8%), the lowest one is in Romania (5%).

Since in the European Union and in the Euro Area social contributions (D.61) paid by Households are similar to the social benefits other than social transfers in kind (D.62) they receive, in 2007 the net effect is void.

In some countries (Germany, France, Spain, the Netherlands, Belgium, Czech Republic) social contributions paid are higher than the transfers received, so in 2007 the net effect of the two transactions was negative. On the other hand, Italy has the highest positive value in 2007: this result probably discloses the presence in the country of elderly population.

In the end in few countries, France, Portugal, the United Kingdom, Norway and Romania, Households receive net other transfers (D.7) higher than EU and EA levels in 2007.

¹⁸ Gross disposable income is the result of all current transactions before consumption, excluding exceptional resources/uses such as capital transfers, holding gains/losses and the consequences of natural disasters. It reflects the net resources, earned during the period, which are available for consumption and/or saving.

Table 4.1.a - The redistribution impact on Gross primary income in EU countries, %

		2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-15.3	-14.7	-14.4	-14.2	-14.1	-14.1	-14.8	-15.4	-14.6
	D.6	4.4	4.2	4.6	4.9	4.9	4.6	4.8	5.0	4.7
	D.61	-18.7	-18.6	-18.8	-19.2	-19.3	-19.6	-19.4	-19.7	-19.2
	D.62	23.1	22.8	23.4	24.1	24.2	24.1	24.3	24.7	23.8
	D.7	-0.3	-0.3	-0.2	-0.2	-0.4	-0.4	-0.6	-0.6	-0.4
	B.6g	88.8	89.2	90.0	90.6	90.4	90.1	89.4	88.9	89.7
DE (Germany)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-13.1	-12.7	-12.6	-12.2	-11.5	-11.4	-11.8	-12.4	-12.2
	D.6	-1.1	-0.4	0.2	0.5	0.5	0.7	0.0	-0.7	0.0
	D.61	-25.8	-25.5	-25.9	-26.0	-25.9	-25.5	-25.3	-24.7	-25.6
	D.62	24.8	25.1	26.2	26.6	26.5	26.2	25.2	24.0	25.5
	D.7	-0.1	-0.1	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.2
	B.6g	85.7	86.7	87.5	88.3	88.9	89.2	88.0	86.8	87.6
FR France)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-12.6	-12.3	-11.8	-11.9	-11.7	-12.0	-11.8	-11.4	-11.9
	D.6	-1.6	-1.7	-1.5	-1.4	-1.1	-1.1	-1.3	-1.3	-1.4
	D.61	-27.3	-27.1	-27.3	-27.6	-27.5	-27.6	-27.6	-27.3	-27.4
	D.62	25.7	25.4	25.9	26.2	26.3	26.5	26.3	26.0	26.0
	D.7	3.1	3.2	3.4	3.3	3.3	3.3	3.4	3.5	3.3
	B.6g	88.9	89.2	90.2	90.0	90.4	90.2	90.3	90.8	90.0
ES (Spain)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-9.5	-9.6	-9.8	-9.5	-9.2	-9.6	-10.2	-11.2	-9.8
	D.6	-1.5	-2.1	-1.7	-2.1	-1.9	-1.8	-2.1	-1.9	-1.9
	D.61	-19.4	-19.6	-19.8	-19.7	-19.8	-19.5	-19.5	-19.6	-19.6
	D.62	17.9	17.5	18.1	17.6	17.9	17.7	17.4	17.6	17.7
	D.7	1.7	1.6	1.6	1.4	1.5	1.3	1.1	1.1	1.4
	B.6g	90.7	89.9	90.2	89.8	90.4	89.9	88.8	88.0	89.7
PT (Portugal)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-8.1	-8.2	-8.1	-7.9	-7.7	-7.7	-8.0	-8.5	-8.0
	D.6	-0.2	0.3	0.8	2.0	2.9	2.7	3.0	2.9	1.8
	D.61	-19.8	-19.9	-20.2	-20.7	-20.6	-21.4	-21.5	-22.1	-20.8
	D.62	19.6	20.3	21.1	22.7	23.5	24.1	24.6	25.0	22.6
	D.7	6.2	6.5	5.9	4.3	4.2	3.6	4.2	4.4	4.9
	B.6g	97.9	98.7	98.7	98.4	99.4	98.6	99.2	98.9	98.7
UK (United Kingdom)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-17.0	-17.1	-16.9	-16.4	-16.7	-17.0	-17.4	-18.0	-17.1
	D.6	4.3	4.5	4.8	4.1	3.0	2.4	2.4	1.7	3.4
	D.61	-17.7	-17.4	-17.9	-18.8	-19.5	-20.2	-20.7	-20.5	-19.1
	D.62	22.1	21.9	22.7	22.9	22.5	22.6	23.1	22.3	22.5
	D.7	2.3	2.3	2.7	2.7	2.6	2.6	2.6	2.6	2.5
	B.6g	89.6	89.8	90.7	90.4	88.8	88.0	87.5	86.3	88.9
NL (Netherlands)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-10.4	-10.4	-11.4	-11.2	-10.5	-11.6	-12.1	-12.7	-11.3
	D.6	-13.7	-11.3	-10.9	-12.0	-12.5	-11.9	-11.6	-11.6	-12.0
	D.61	-38.2	-35.6	-35.6	-37.4	-38.1	-37.4	-37.6	-36.7	-37.1
	D.62	24.4	24.2	24.7	25.4	25.6	25.5	26.0	25.0	25.1
	D.7	0.2	0.2	0.2	0.3	0.1	-0.1	0.1	0.0	0.1
	B.6g	76.1	78.4	77.9	77.1	77.1	76.4	76.4	75.7	76.9
BE (Belgium)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-17.5	-17.6	-17.8	-17.8	-18.0	-18.2	-17.4	-17.0	-17.7
	D.6	-2.0	-2.1	-2.0	-1.6	-1.5	-1.4	-1.5	-2.0	-1.8
	D.61	-25.2	-25.3	-26.2	-26.7	-26.9	-26.6	-26.4	-26.6	-26.2
	D.62	23.1	23.2	24.2	25.1	25.3	25.2	24.9	24.6	24.5
	D.7	0.6	0.7	0.8	0.8	1.0	1.0	1.0	1.1	0.9
	B.6g	81.1	81.0	81.0	81.4	81.4	81.5	82.2	82.0	81.4
NO (Norway)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-20.7	-21.1	-19.9	-19.6	-19.8	-19.1	-20.3	-20.8	-20.1
	D.6	7.1	6.7	6.1	8.2	7.6	6.5	5.4	4.6	6.5
	D.61	-20.7	-22.0	-21.7	-21.0	-21.0	-20.3	-22.8	-22.6	-21.5
	D.62	27.8	28.7	27.8	29.2	28.6	26.8	28.1	27.2	28.0
	D.7	1.9	1.8	1.8	1.7	1.8	1.9	2.5	2.4	2.0
	B.6g	88.3	87.4	88.0	90.3	89.6	89.4	87.6	86.3	88.4

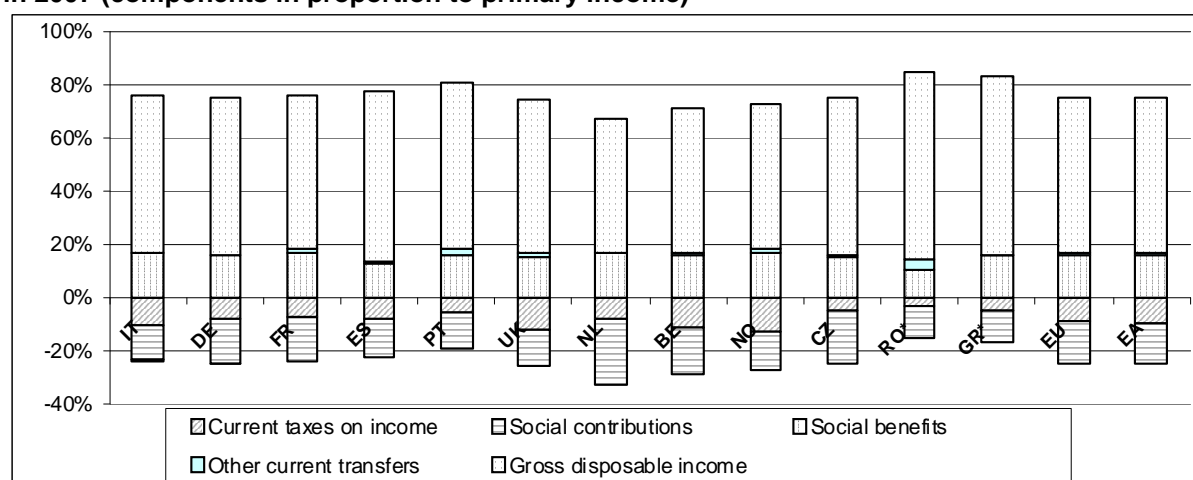
Table 4.1.b - The redistribution impact on Gross primary income in EU countries, %

		2000	2001	2002	2003	2004	2005	2006	2007	Average
PO (Poland)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-6.5	-6.3	-6.8	-6.3	-5.8	-6.5	-7.3	-8.4	-6.8
	D.6	-	-	-	-	-	-	-	-	-
	D.61	-	-	-	-	-	-	-	-	-
	D.62	-	-	-	-	-	-	-	-	-
	D.7	2.2	2.1	3.4	3.5	2.7	3.5	4.0	4.2	3.2
	B.6g	97.9	98.7	100.0	101.4	100.7	100.0	99.4	97.0	99.4
CZ (Czech Republic)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-7.3	-7.3	-7.5	-7.9	-8.0	-7.7	-7.2	-7.4	-7.5
	D.6	-3.7	-4.2	-4.5	-5.1	-6.1	-6.7	-7.0	-6.8	-5.5
	D.61	-23.9	-24.0	-25.0	-25.1	-27.5	-27.8	-28.4	-28.8	-26.3
	D.62	20.2	19.8	20.4	19.9	21.4	21.1	21.4	22.0	20.8
	D.7	2.1	0.9	0.9	0.7	0.2	0.6	0.9	0.7	0.9
	B.6g	91.0	89.5	88.9	87.6	86.1	86.3	86.7	86.6	87.8
RO (Romania)*	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	...	100.0
	D.5	-5.3	-5.4	-5.0	-5.6	-5.3	-4.3	-5.0	...	-5.1
	D.6	-2.4	-2.0	-2.7	-2.3	-1.5	-2.2	-2.5	...	-2.2
	D.61	-15.7	-15.0	-16.5	-16.4	-15.6	-16.2	-16.9	...	-16.0
	D.62	13.3	13.0	13.8	14.1	14.1	14.0	14.4	...	13.8
	D.7	1.7	-0.4	7.9	7.8	11.5	4.6	6.3	...	5.6
	B.6g	94.0	92.2	100.2	99.9	104.7	98.2	98.9	...	98.3
GR (Greece)*	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	...	100.0
	D.5	-7.0	-6.7	-6.6	-6.5	-6.6	-6.9	-7.0	...	-6.7
	D.6	3.1	3.7	2.4	2.9	3.1	4.0	4.6	...	3.4
	D.61	-16.6	-16.9	-18.3	-19.0	-18.5	-18.3	-18.3	...	-18.0
	D.62	19.6	20.7	20.7	21.9	21.6	22.3	22.9	...	21.4
	D.7	1.7	1.1	1.2	1.8	2.1	1.5	0.9	...	1.5
	B.6g	97.7	98.1	97.0	98.2	98.6	98.6	98.6	...	98.1
EA (Euro Area)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-13.2	-12.9	-12.7	-12.5	-12.2	-12.3	-12.6	-12.9	-12.6
	D.6	-0.6	-0.3	0.1	0.2	0.3	0.3	0.1	-0.2	0.0
	D.61	-24.4	-24.1	-24.3	-24.6	-24.5	-24.4	-24.3	-24.1	-24.3
	D.62	23.8	23.8	24.4	24.8	24.8	24.7	24.4	23.9	24.3
	D.7	1.0	1.1	1.1	1.2	1.1	1.1	1.0	1.0	1.1
	B.6g	87.3	87.9	88.5	88.9	89.2	89.1	88.6	88.0	88.4
EU (European Union)	B.5g	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	D.5	-14.4	-14.1	-13.9	-13.7	-13.5	-13.7	-13.9	-14.2	-13.9
	D.6	0.7	0.9	1.3	1.2	1.1	1.0	0.8	0.4	0.9
	D.61	-23.0	-22.7	-23.0	-23.4	-23.4	-23.4	-23.5	-23.3	-23.2
	D.62	23.7	23.6	24.3	24.6	24.6	24.4	24.3	23.7	24.2
	D.7	1.3	1.3	1.4	1.5	1.4	1.5	1.5	1.4	1.4
	B.6g	87.5	88.1	88.8	89.0	89.0	88.9	88.3	87.6	88.4

* data available until 2006

Source: Elaboration on Eurostat data

Chart 4.1 - Household gross disposable income and redistribution transactions in EU countries in 2007 (components in proportion to primary income)

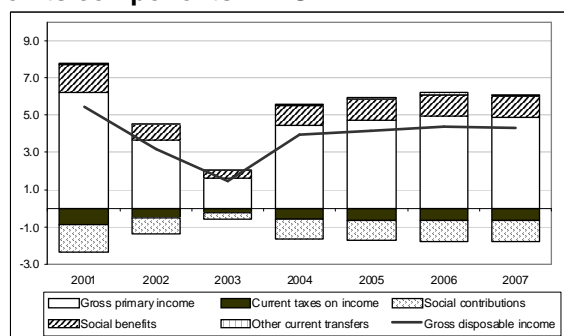


* data available until 2006

Source: Elaboration on Eurostat data

Chart 4.2 shows the annual growth rate of gross disposable income over the period 2000-2007: the growth is broadly driven by the pattern of compensation of employees, the main component of the primary income.

Chart 4.2 - Household gross disposable income: annual growth rate and contribution of its components in EU



Source: Elaboration on Eurostat data

Gross disposable income per inhabitant shows notable differences among the European countries (see Table 4.2) both in the level and in the annual growth rate over all the period under review: the values are the highest in Norway and the United Kingdom and the lowest in Romania (2006 data), Poland and Czech Republic.

Table 4.2 - Households Gross disposable income per capita¹⁹ in EU countries

	2000	2001	2002	2003	2004	2005	2006	2007	Growth rate 2007/2000
IT (Italy)	1445.5	1526.1	1584.4	1618.1	1655.6	1690.4	1731.5	1773.0	22.7
DE (Germany)	1721.5	1783.9	1796.0	1831.3	1860.3	1897.9	1936.4	1972.4	14.6
FR (France)	1554.5	1623.3	1687.1	1718.4	1781.4	1826.5	1900.3	1988.4	27.9
ES (Spain)	1047.3	1106.1	1159.1	1216.7	1283.4	1363.8	1439.2	1494.0	42.6
PT (Portugal)	842.6	886.7	916.9	937.7	971.2	1002.1	1036.8	1067.4	26.7
UK (United Kingdom)	1831.4	1904.5	1944.2	1846.4	1919.2	1993.6	2063.8	2101.2	14.7
NL (Netherlands)	1391.8	1520.6	1550.3	1546.1	1570.5	1597.6	1651.8	1736.8	24.8
BE (Belgium)	1550.5	1617.0	1631.5	1641.4	1671.7	1717.6	1797.9	1885.0	21.6
NO (Norway)	1915.2	1967.8	2290.3	2291.7	2276.4	2568.9	2437.0	2577.1	34.6
PO (Poland)	350.4	412.0	401.9	359.1	372.4	436.7	472.7	519.8	48.4
CZ (Czech Republic)	341.4	375.7	433.3	439.0	456.5	516.6	584.9	640.3	87.6
RO (Romania)*	125.6	142.3	150.9	146.1	182.5	229.0	273.7	...	118.0
GR (Greece)*	927.0	983.7	1041.0	1123.6	1200.8	1277.7	1379.3	...	48.8
EA (Euro Area)	1451.3	1520.7	1562.6	1600.1	1647.8	1693.6	1751.7	1810.2	24.7
EU (European Union)	1248.7	1313.1	1351.6	1365.4	1413.0	1465.4	1523.1	1581.7	26.7

* data available until 2006

Source: Elaboration on Eurostat data

4.2 The analysis of Households tax burden in European countries

Tax burden is the amount of financial resources paid by Households and corporations to general government and rest of world. This is an important economic indicator for national economy and it is calculated as the ratio between all kind of taxes paid: (other taxes on production (D.29), current taxes on income (D.5), social contributions (D.61) and capital taxes (D.91)) to general government and the gross domestic product (GDP). Comparing tax burden for Households among European countries proves to be quite interesting. On the taxpayer side, the Households, the ratio is calculated as the whole amount paid by sector and its gross disposable income. In the last year, the share varied from 18.2% in Romania (2006 data) to 40% in the Netherlands with a 30% both in EU and EA.

¹⁹ Gross disposable income per capita is calculated by the ratio of gross disposable income to population.

Table 4.3 - Tax burden in EU countries,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	28.4	28.0	27.8	28.3	28.1	28.0	28.4	29.0	28.2
DE (Germany)	31.7	31.0	30.9	30.6	30.1	29.7	30.1	30.4	30.6
FR (France)	31.8	31.5	31.1	31.4	31.2	31.4	31.3	30.8	31.3
ES (Spain)	24.9	25.3	25.4	25.2	25.0	25.2	25.8	26.6	25.4
PT (Portugal)	22.6	22.6	22.7	23.0	22.6	23.2	23.3	24.0	23.0
UK (United Kingdom)	28.2	27.9	27.9	28.2	29.2	29.9	30.6	31.1	29.1
NL (Netherlands)	39.5	37.5	38.2	39.2	39.2	39.6	40.0	40.0	39.1
BE (Belgium)	35.4	35.5	36.2	36.3	36.7	36.5	35.9	35.8	36.0
NO (Norway)	32.1	33.2	32.3	31.2	31.5	30.8	33.2	33.7	32.2
PO (Poland)	21.1	21.0	21.2	20.7	20.3	21.2	21.9	23.1	21.3
CZ (Czech Republic)	25.7	26.0	26.9	27.5	29.3	29.3	29.2	29.6	27.9
RO (Romania)*	18.3	18.1	17.7	18.3	16.8	17.3	18.2	...	17.8
GR (Greece)*	20.0	19.9	20.8	20.9	20.6	20.7	20.7	...	20.5
EA (Euro Area)	30.7	30.2	30.1	30.2	29.8	29.8	30.0	30.2	30.1
EU (European Union)	30.5	30.0	29.9	30.0	29.9	30.0	30.3	30.5	30.2

* data available until 2006

Source: Elaboration on Eurostat data

To point out the features of the tax system of different countries, it is interesting to analyse the size of the main components of this indicator (see Table 4.4). In 2007, the highest share of capital taxes were collected in France, Belgium and Spain while in the United Kingdom, Households seem not to pay other taxes on production. Of course in all the countries the main component is current taxes on income.

Table 4.4 - Composition of the Households tax burden in EU countries in 2007,%

	other taxes on production	current taxes on income	capital taxes
IT (Italy)	5.8	94.0	0.1
DE (Germany)	4.2	94.1	1.7
FR (France)	8.1	87.0	4.9
ES (Spain)	4.7	91.0	4.3
PT (Portugal)	7.2	92.7	0.1
UK (United Kingdom)	0.0	97.9	2.1
NL (Netherlands)	3.3	93.0	3.7
BE (Belgium)	6.1	89.2	4.8
NO (Norway)	0.8	98.1	1.1
PO (Poland)	3.8	95.7	0.5
CZ (Czech Republic)	1.8	97.6	0.6
RO (Romania)*	1.0	99.0	0.0
GR (Greece)*	3.6	94.0	2.5
EA (Euro Area)	5.3	92.2	2.5
EU (European Union)	3.9	93.9	2.2

* data available until 2006

Source: Elaboration on Eurostat data

4.3 The analysis of Households gross saving rates in European countries

Disposable income is available for consumption or saving.

The gross households saving rate defined as gross saving divided by gross disposable income (adjusted for changes in private pension fund reserves) is an important economic indicator in the comparison of European countries.

As shown in Table 4.5 households gross saving decreased since 2002 in EU and since 2003 in EA. It proves to be higher in the EA than in EU due to the presence of the United Kingdom, where the saving rate is very low (2,5%). In 2007 the highest saving rates were recorded in Germany (16,7%) and France (15,3%); the lowest ones were in the United Kingdom, Greece and in Romania, the only country with a negative rate. In 2007, the Households saving rate only increased for Germany, France, the Netherlands and Belgium. In Italy it came back to the level registered in 2000.

Table 4.5 - Gross Household saving rates in EU countries, %

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	14.2	16.0	16.8	16.0	16.0	15.9	15.1	14.2	15.5
DE (Germany)	15.1	15.2	15.7	16.0	16.1	16.3	16.2	16.7	15.9
FR (France)	14.9	15.6	16.7	15.6	15.6	14.6	14.8	15.3	15.4
ES (Spain)	11.1	11.1	11.4	12.0	11.3	11.3	11.2	10.2	11.2
PT (Portugal)	10.2	10.9	10.6	10.5	9.7	9.2	8.1	6.6	9.5
UK (United Kingdom)	4.7	6.0	4.8	5.1	4.0	5.1	4.2	2.5	4.5
NL (Netherlands)	11.9	14.5	13.7	13.0	13.0	12.2	11.5	13.4	12.9
BE (Belgium)	15.4	16.4	15.8	14.7	13.3	12.6	12.9	13.7	14.3
NO (Norway)	9.2	8.2	12.7	13.3	11.8	14.5	5.6	4.6	10.0
PO (Poland)	12.4	14.2	10.4	10.0	10.1	9.8	8.6	8.8	10.5
CZ (Czech Republic)	8.5	7.4	8.1	7.4	5.7	8.1	9.1	8.8	7.9
RO (Romania)*	1.2	1.6	-1.4	-9.6	-6.6	-12.0	-14.0	...	-6.8
GR (Greece)*	2.5	1.7	1.1	1.6	1.5	0.7	1.2	...	1.4
EA (Euro Area)	13.6	14.3	14.8	14.6	14.5	14.0	13.7	13.8	14.2
EU (European Union)	11.5	12.4	12.3	12.1	11.7	11.6	11.2	10.8	11.7

* data available until 2006

Source: Elaboration on Eurostat data

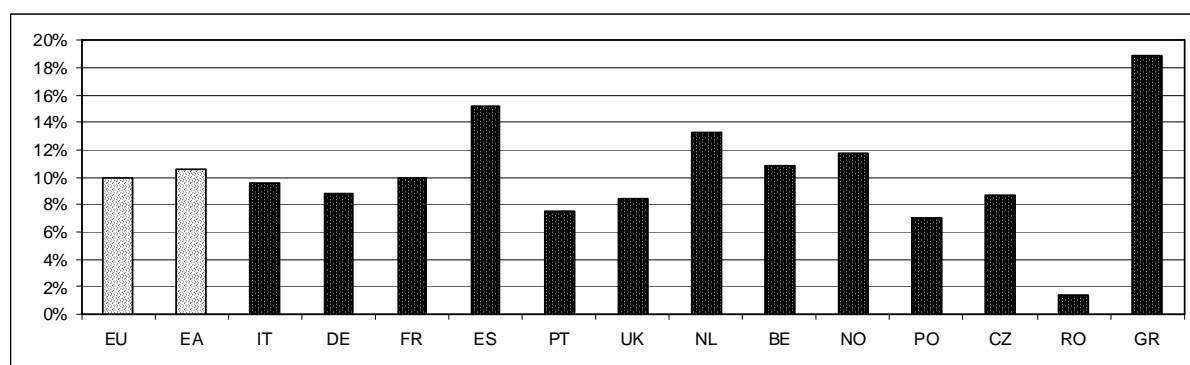
4.4 Household investment rate

The Household investment rate is one of key indicators that may be derived by institutional sector accounts. It is calculated by dividing gross investment (gross fixed capital formation, GFCF) by gross disposable income including the adjustment for the change in net equity of households in pension funds reserves. Dwellings represent the most part of households' investment. The residual part includes investment in equipment, machinery, transport equipment and construction other dwellings by self-employed workers and non profit institutions. Consumer durables (which include passenger cars) are not considered part of households' GFCF.

Chart 4.3 shows the gross investment rate of Households in EA, EU and in selected European countries during 2006. In this year the rate was slightly lower in the European Union than in the Euro Area: this is also true for the whole period 2000-2007 (see Table 4.6).

The investment rate for Households proves to be extremely high for Greece (nearly 19%) followed by the Spain (15.2%), the Netherlands (13.3%) and Norway (11.7%). In particular in 2006, in Greece the rate exceeds the average investment rate calculated on the whole period by 4.6 percentage points; in Spain and in Norway by 1.92 and 1.79 percentage points respectively (see Table 4.6). The lowest investment rate is observed in Romania (1.4%).

Chart 4.3 - Gross Household investment rates in 2006, %



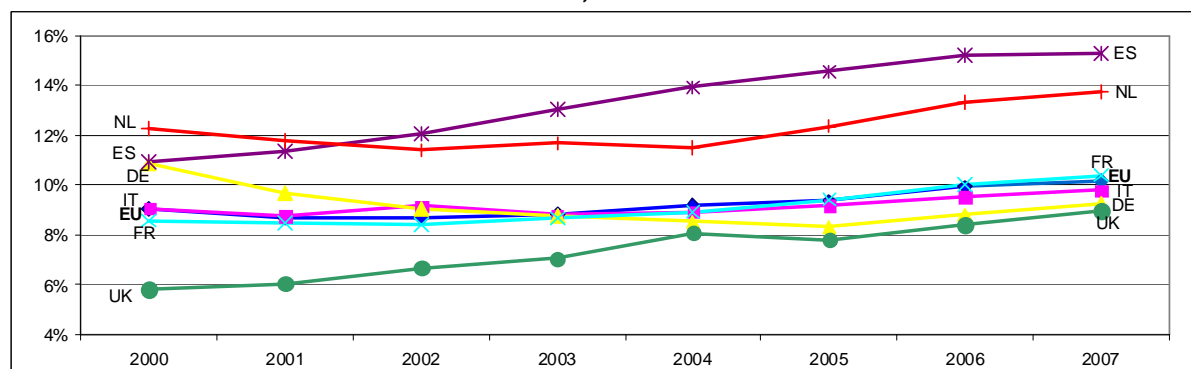
Source: Elaboration on Eurostat data

Chart 4.4 displays the development of the households investment rate during the period 2000-2007 in the five largest EU countries and in the European Union average. The EU showed a decrease between 2000 and 2002, followed by a rise up till 2007.

In Germany the investment rate decreased from 2000 to 2005, but started to rise afterwards while in the United Kingdom the rate grew over the whole time span, except slight downturns in 2005. In regard to the other European countries selected, movements in Italy, France and the Netherlands were similar to the EU.

Between 2000 and 2007 (see Table 4.6) the largest rises in the investment rates were recorded in

Chart 4.4 - Gross Household investment rates,%



Source: Elaboration on Eurostat data

Spain (+3.76 percentage points), in Norway (+3.06 percentage points) while the main drops were found in Portugal (-2.81 percentage points) and in Germany (-1.45 percentage points). In Greece the investment rate increased by 4.31 percentage points between 2000 and 2006.

Table 4.6 - Gross Household investment rates,%

	2000	2001	2002	2003	2004	2005	2006	2007	Average
IT (Italy)	9.1	8.8	9.2	8.8	8.9	9.2	9.5	9.8	9.2
DE (Germany)	10.8	9.7	9.0	8.8	8.5	8.3	8.8	9.3	9.2
FR France)	8.6	8.5	8.4	8.7	8.9	9.4	10.0	10.4	9.1
ES (Spain)	10.9	11.4	12.0	13.0	13.9	14.5	15.2	15.3	13.3
PT (Portugal)	10.7	10.4	10.0	8.6	8.5	8.3	7.6	7.7	9.0
UK (United Kingdom)	5.8	6.1	6.7	7.1	8.1	7.8	8.4	9.0	7.4
NL (Netherlands)	12.3	11.8	11.4	11.7	11.5	12.4	13.3	13.7	12.2
BE (Belgium)	8.7	8.1	8.4	8.5	9.5	10.2	10.9	10.9	9.4
NO (Norway)	9.0	9.7	8.7	8.3	9.6	10.0	11.7	12.4	9.9
PO (Poland)	6.6	6.2	6.4	6.8	6.9	7.0	7.0	7.6	6.8
CZ (Czech Republic)	9.0	9.1	9.0	8.5	8.5	8.3	8.7	9.9	8.9
RO (Romania)*	2.8	2.7	1.1	1.6	1.4	1.6	1.4	...	1.6
GR (Greece)*	14.6	14.6	15.8	17.1	17.3	17.1	18.9	...	14.3
EA (Euro Area)	10.1	9.6	9.5	9.5	9.7	10.0	10.6	10.8	10.0
EU (European Union)	9.0	8.7	8.7	8.9	9.2	9.4	9.9	10.2	9.2

* data available until 2006

Source: Elaboration on Eurostat data

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