

# 'Think...'

Precise insights for European growth

## Household income and expenditure breakdown across Europe: how is daily life affected by the crisis?

The crisis is often discussed as something abstract, not really concrete. But it is concrete. It impacts the daily lives of millions of Europeans: unemployment is rising, growth is almost flat, and in some countries, wages have even been reduced in recent times. This potentially has dramatic consequences for living standards. Do Europeans struggle to make ends meet? Can all socio-demographic categories pay for the same goods and services? Which countries are the worst affected?

### Growth Insight

More than four in ten Europeans (41%) have difficulties, from time to time (29%) or most of the time (12%), in paying their bills at the end of the month.

Striking differences exist between EU countries: while only 10% of the population face this situation in Sweden and the Netherlands, more than two-thirds of respondents in Cyprus (68%), Portugal (72%), and Bulgaria (73%) confess to having difficulties making ends meet. The situation is even more desperate in Greece, where this proportion reaches 89% (45% from time to time, and 44% most of the time). Overall, more than half of respondents say that they struggle to pay their bills at the end of the month in 11 Member States.

The situation has worsened since May-June 2009: though this deterioration is limited at EU level (from 38% at EU level up to 41%, +3 percentage points), a national analysis reveals striking evolutions, often in Member States that have been hard hit by the crisis: Portugal (+26 points), Greece (+26), Malta (+32) and Lithuania (+46). In others, progress has been made: Poland (-30), Luxembourg (-30), the UK (-23), Sweden (-22), the Netherlands (-22).

The crisis is real: it has impacted, it impacts and it will very likely continue to impact the daily lives of European citizens, at least in some countries, for some time to come.

#### 'Think ...' lessons for business:

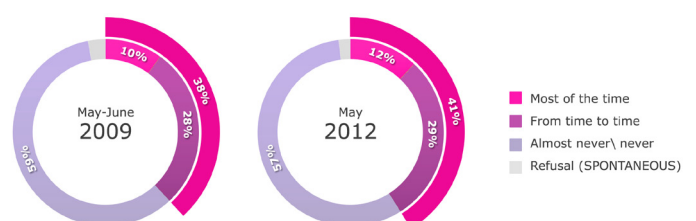
European Member States are not all equally hit by the crisis: while the financial situation of citizens seems reasonably good in some countries, it is really bad in others. European businesses should adapt their marketing to these varied situations, taking them into account in their communication campaigns, prices, and consumer credit strategies.

European businesses should also bear in mind recent developments in the financial position of citizens. For instance, making new investments in a country where many people have difficulties making ends meet may be a smart decision if this proportion is stable or falling.

In Member States where the situation has improved, governments should publicise these positive developments, as this will benefit their image.

Conversely, in countries where living standards are falling, governments should take actions to fight inflation and rising prices. Their populations need support.

#### "During the last twelve months, would you say you had difficulties to pay your bills at the end of the month...?"



Source: Standard Eurobarometer (EB) for the European Commission, EB77, Spring 2012 (May 2012).

Low salaries and wages are the second reason for poverty in the European Union, say European citizens. What if increasing pay were a way out of the crisis?

# Growth Insight

According to European citizens, the fact that salaries and wages are not high enough is one of the main causes of poverty: close to half of Europeans gave this answer (48%), in second position, just after unemployment (54%). These two explanations for poverty are mentioned much more widely than the others, which are cited by less than 30% of respondents.

Poor salaries and wages is also the first answer given in a majority of Member States (15 out of 27), led by Hungary (76%), Malta (68%), and Romania (67%), where more than two-thirds gave this answer. There are wide differences between EU Member States, and interestingly, the date of accession to the EU plays a role: low pay is more likely to be mentioned in countries that joined the EU most recently, in 2004 and 2007 (with figures ranging from 76% in Hungary to 56% in Estonia) than in countries that were part of the EU before 2004 (where figures range from 55% in France to just 9% in Denmark). Greece is the only exception (65%).

In the EU, working is no longer a barrier to poverty: the working poor are more and more numerous, and this development is becoming a social phenomenon.

**'Think ...' lessons for business:**

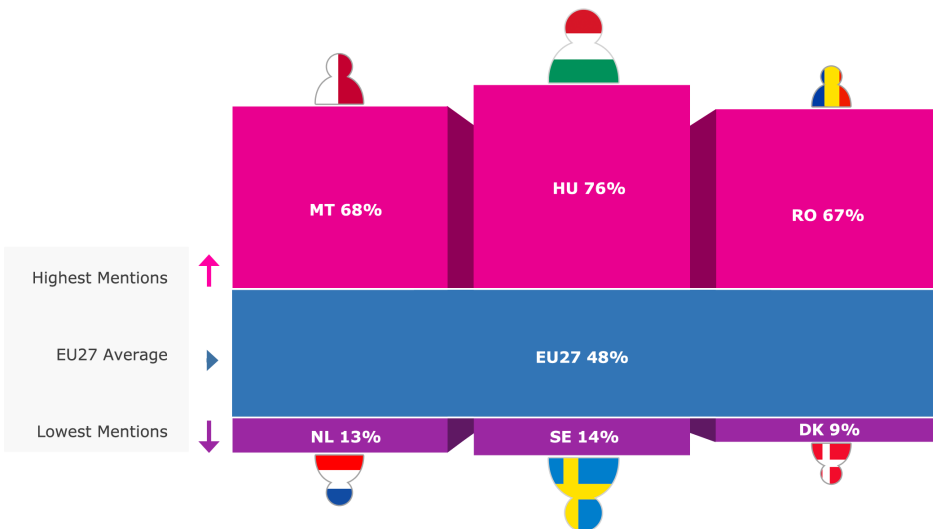
According to some experts, cutting salaries and wages is necessary in an economic crisis. Conversely, others say that it has a negative impact on consumption, and therefore on growth. The "working poor" also often face numerous problems (housing, transportation, health), that make it difficult for them to keep their jobs. European businesses should take actions to support employees on low incomes. What might this mean? Increasing salaries? Not necessarily. Developing existing staff policies in terms of housing, transport and health can help prevent people from falling into poverty.

Companies will ultimately benefit from these measures in terms of image, attractiveness and competitiveness, as it is often more expensive to train a new employee than to keep an experienced one.

Austerity measures have been implemented in different Member States, because of the crisis. But EU governments should maybe consider giving lower salaries a boost: this could improve confidence and consumption, while fighting the growth in the numbers of working poor. Ultimately growth and employment could both benefit from this.

**"In your opinion, which two of the following things in society might best explain why people are poor?"**

**Item: Wages and salaries are not high enough in (OUR COUNTRY) for people to cope**



Source: Special Eurobarometer (EB) Poverty and exclusion, for the European Commission, EB74.1, August-September 2010, conducted by TNS.

Household expenditure: large differences between EU countries and between categories of citizens.

# Growth Insight

Television is everywhere in the EU. The “small screen” is present in every Member State and in every category of the population: 98% of Europeans have a TV, and the lowest proportion recorded is 93% in Latvia.

Other goods are also present in a large majority of European households, but with more differences between countries. Seven in ten Europeans have an Internet connection at home (70%), but this proportion varies from 45% in Portugal to 95% in the Netherlands. Differences are even more pronounced for cars: 74% of Europeans have a car, but almost all Cypriots do so (96%) compared with just 40% of Latvians.

There are also pronounced variations between the different social categories: 94% of managers have an Internet connection at home, compared with 61% of the unemployed. A large majority of managers and the self-employed own a car (90%), compared with 57% of the unemployed. These differences are problematic: the role of the Internet in finding a job is crucial nowadays, and many job openings require a car. Finding a job is already hard, but it's getting harder for many unemployed people who have no access to these goods and services.

When it comes to owning goods and access to services, there really is a two-speed Europe.

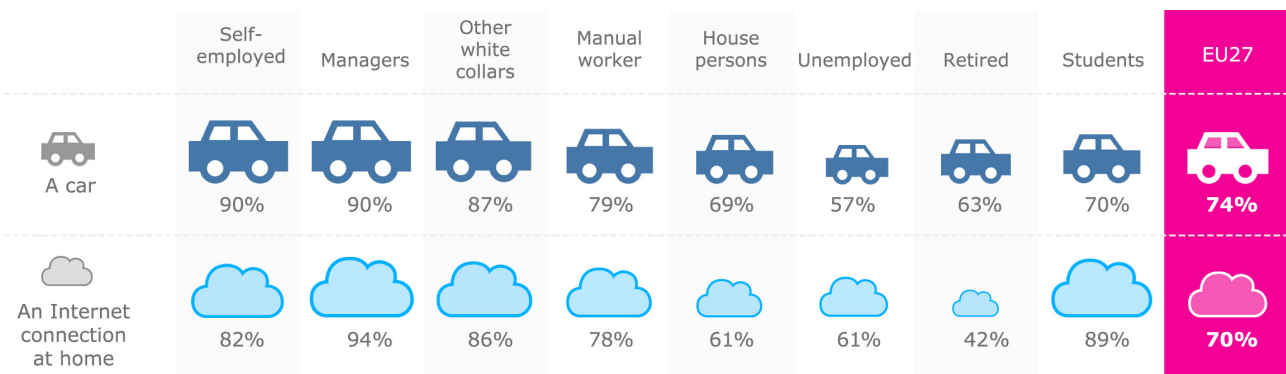
**‘Think ...’ lessons for business:**

These results could be used by European businesses when defining strategy. For a company selling electronic goods that wants to develop its international business, it's useful to know the countries where less than a quarter of the population owns a CD player or a DVD player. Companies also know which category of the population to target first, depending on their needs.

These findings also give governments interesting information about where their populations stand compared with those of other EU countries, in terms of owning goods and having access to services. EU governments could use the positive figures for their country in communication campaigns: this would have a beneficial impact in terms of image and popularity. Moreover, if their population lags behind, governments should take actions to reduce the inequalities existing between their own country and the rest of the EU, and also between socio-demographic categories. Measures that will help the unemployed have easy access to the Internet without charge, or that will enable them to use a car when needed (free credit, lending, etc.) would be moves in the right direction. This could help to reduce unemployment. All in all, the country's economy will benefit from such actions.

These variations between countries and categories highlight the efforts that governments, along with the EU institutions, need to make to increase equality between all citizens.

**“Which of the following goods do you have?”**



Source: Standard Eurobarometer (EB) for the European Commission, EB77, Spring 2012 (May 2012) ; Special Eurobarometer (EB) for the European Commission, EB71.2, May-June 2009 conducted by TNS.

# Precise plans for Growth

## Business Growth

- **Tailor strategy**  
In some EU Member States, people have no problems making ends meet. In others, a large majority of the population is struggling at the end of the month. European companies should bear in mind this range of situations when tailoring their international strategies. Taking account of the recent changes in these situations at a national level could also be useful.
- **Develop staff policies to support lower income employees**  
The working poor are more and more numerous, and their unstable situation poses a threat not just for themselves, but also to their companies. Developing staff policies to support workers on low pay can benefit European businesses, in terms of image, competitiveness, and attractiveness.
- **Adapt the international strategy to the needs of EU citizens**  
Knowing where the needs for goods and services lie in the EU gives companies useful information, showing them where to invest, and which categories to target.

## Government Growth

- **Publicise recent progress**  
Where possible, European governments should take credit for the progress made since the beginning of the crisis in terms of living standards. Their image could benefit from such positive developments.
- **Boost lower incomes**  
Low pay is seen as the second reason for poverty in the whole EU, just behind unemployment. EU governments need to support the working poor, maybe by boosting lower incomes. Growth and employment might benefit from such measures.
- **Communicate the positive results**  
EU governments should make sure that their populations are aware of positive results: this could improve consumer confidence, and therefore encourage growth.
- **Support the unemployed by easing their access to the Internet or transport**  
Governments should help the unemployed to access some goods and services, such as the Internet, or a car: they need these things to find a job.

## About TNS

TNS advises clients on specific growth strategies around new market entry, innovation, brand switching and stakeholder management, based on long-established expertise and market-leading solutions. With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes across every cultural, economic and political region of the world.

TNS is part of Kantar, one of the world's largest insight, information and consultancy groups.

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