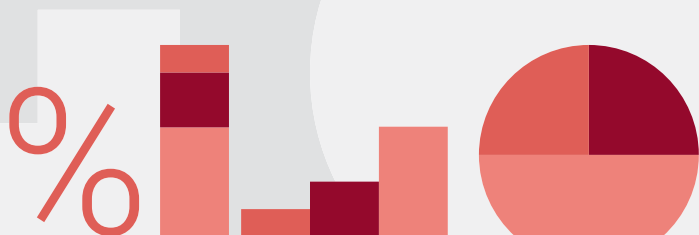




## FSO News



20 Economic and social situation of the population

Neuchâtel, May 2023

## Income and Living Conditions 2021

# Material and social deprivation

**The material and social deprivation rate describes the proportion of people who have to forego important goods, services and social activities for financial reasons. This new indicator is a progression of the former material deprivation rate which it replaces in both Switzerland and at European level. The proportion of deprived persons in Switzerland remains at a similar level as previously. However, the new findings cannot be compared directly with the previous material deprivation rates.**

Information on deprivation is an important addition to the monetary poverty indicators. It tells us whether a person has a lack of resources in areas of life that most people in Europe consider desirable or even necessary for a decent life. Every year since 2010, the Federal Statistical Office (FSO) has published a material deprivation rate as defined by the European Statistical Office (Eurostat) based on the Statistics on Income and Living Conditions (SILC). The data go back to the data year 2007. In recent years, the indicator has been revised at European level to include social aspects.<sup>1</sup> Switzerland is also now replacing the previous indicator on material deprivation with the material and social deprivation rate. The indicator has been calculated back to 2015 and from now on will be published every year.

### Why has the indicator been revised?

The previous indicator on material deprivation was becoming less and less relevant (Kaczmarec-Firth & Dupré 2018). Some of the lacking items considered, such as not having access to a washing machine or not owning a colour television for financial reasons are simply no longer valid in many European countries today. In contrast, other, non-material aspects that were not covered by the previous indicator have increasingly gained in importance.

Eurostat has, therefore, developed an improved indicator based on a selection of areas of life that has been fully revised and tested (Guio et al. 2017). As it considers not only material but also social factors, it is referred to as the "material and social deprivation rate" (in distinction to the previous indicator "material deprivation rate"), or simply "deprivation" (European Commission 2017).

### Additional and more relevant questions

According to the Eurostat definition, a person is considered materially and socially deprived if they have an enforced lack for financial reasons in at least five out of thirteen areas of life (see glossary). If a deficiency exists in at least seven of the thirteen areas, this is considered as severe deprivation. These thresholds were deliberately chosen by Eurostat to ensure that the proportion of deprived people in the European average is similar to that seen in the previous indicator (European Commission 2017).

<sup>1</sup> It is also part of the European indicator on poverty and social exclusion, which is used to measure the European Union's 2030 targets.

The previous indicator comprised nine components, all of which were collected at household level. In contrast, the new indicator includes information at household and individual level. Seven of the areas considered concern the household as a whole and are thus identical for all persons in a given household (e.g. having no arrears). All persons aged 16 and over are now also asked six questions in the individual questionnaire, such as on the possibility of regularly engaging in a leisure activity that costs money. Different household members may give different answers to these questions.<sup>2</sup>

Table T1 summarises the previous and new areas of deprivation.

## Adjusted calculation for children

Children under the age of 16 are not interviewed individually in SILC. In order to calculate a material and social deprivation rate for children every year, the information on persons aged 16 and over in the household is used. If at least half of these persons are deprived in a certain area, it is assumed that the children are also deprived in that area. The threshold value for the material and social deprivation rate for children is also five or seven out of thirteen areas. At least three of these lacking resources, however, must be at household level so that the indicator does not react too sensitively to adult deprivation (European Commission 2017). Strictly speaking it is not so much about deprived children as about children who live in households with material and social deprivation.<sup>3</sup>

## Areas of deprivation

**T1**

	Material deprivation	Material and social deprivation
<b>Household level (all persons in the household, incl. children)</b>		
Owning or having access to a washing machine	x	
Owning a colour television	x	
Owning a telephone	x	
Having access to a car for personal use	x	x
To have no arrears	x	x
Capacity to face unexpected financial expenses of 2500 CHF within a month	x	x
Capacity to afford a one week annual holiday away from home	x	x
A meal with meat, fish or vegetarian equivalent every second day	x	x
Ability to keep home adequately warm	x	x
Replacing worn-out furniture		x
<b>Individual level (only persons aged 16 and over)</b>		
Having an internet connection at home (incl. smartphone, tablet, etc.)		x
Replacing worn-out clothes with some new ones		x
Having two pairs of properly fitting shoes (including a pair of all-weather shoes)		x
Spending a small amount of money each week on him/herself		x
Having regular leisure activities that cost money		x
Getting together with friends or family for a drink or meal at least once a month		x

Source: European Commission (2017)

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<sup>2</sup> The individual questions thus also provide new potential for analysis in future studies. For example, it could be investigated whether both partners in couple households are equally affected by deprivation or if there are differences within the household (see e.g., Guio & Van den Bosch 2019).

<sup>3</sup> To make allowances for children's specific needs, every three years households with children under the age of 16 are asked additional questions on whether they own certain things, such as toys or books and whether their children take part in age-appropriate activities (see also FSO 2016). However, these questions do not appear in the annually published indicators presented here.

## Material and social deprivation in Switzerland

In 2021, 5.2% of the population in Switzerland were considered materially and socially deprived (see G1). Some 448 000 people thus had self-reported deprivation in at least five of the thirteen areas for financial reasons. The severe material and social deprivation rate (deprivation in 7 of 13 areas) was 1.8% in the same year. This corresponds to around 157 000 persons.

An analysis by subgroups shows which population groups are most likely to be deprived. Material and social deprivation rates are highest among the unemployed, foreign nationals from "other countries"<sup>4</sup> and persons in the lowest income group.<sup>5</sup> In contrast, people in the highest income groups are least likely to be deprived. A household's financial situation, therefore, plays an important role in averting material and social deprivation.

Persons living in a single-parent household, other persons without employment, persons with no post-compulsory education or training and persons under the age of 65 living alone are at a significantly greater than average risk of material and social deprivation.<sup>6</sup> Below-average rates, on the other hand, are seen for working-age couples without children, persons having completed tertiary level education, employed persons and Swiss nationals.

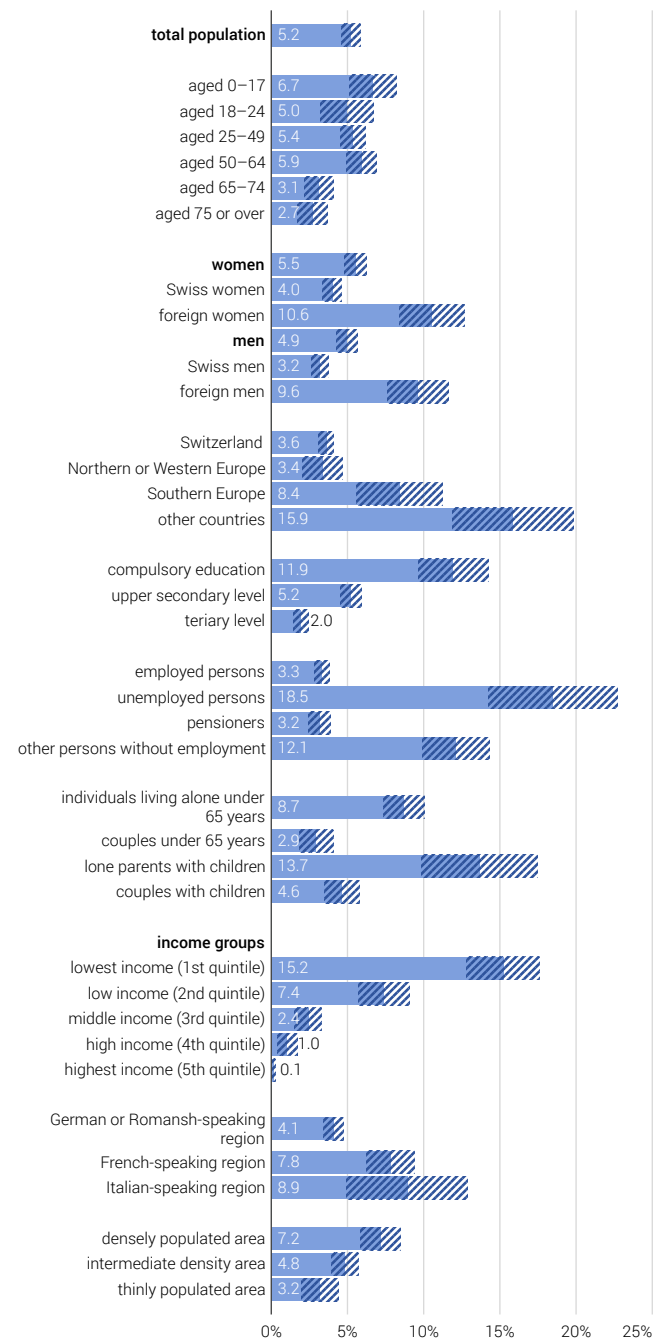
A comparison of the different age groups shows that the rate of material and social deprivation tends to decline with age. It is lowest among people aged 75 and older. Accordingly, pensioners are less likely to be affected by material and social deprivation.

Women tend to be more often deprived than men, but the difference is not statistically significant.

At regional level, the material and social deprivation rate is higher in the Italian and French-speaking language regions than in the German and Romansh-speaking regions. It is also higher in densely populated areas than in thinly populated areas.

## Material and social deprivation rate, by different characteristics, 2021

G1



/// Confidence interval (95%)

These results represent the situation in the first half of 2021 (data collection from January to June 2021).

The variables relating to the educational and labour market are only collected for persons aged 18 or over. The income groups refer to the equivalised disposable income including imputed rent. The term «children» refers to all persons from 0 to 24 years of age who live with at least one parent.

Source: FSO – Statistics on Income and Living Conditions, SILC-2021 (23.03.2023 version)

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<sup>4</sup> This group includes all nationals of countries outside Northern, Western or Southern Europe. In 2021, the majority of these nationals came from the following countries: Kosovo, Sri Lanka, Serbia, North Macedonia, Eritrea, Brazil, Romania, Dominican Republic and China.

<sup>5</sup> To conduct the analysis by income group, the observations were sorted by size and divided into five equally sized groups (income quintiles). Each group thus represents 20% of the population. Allocation to a given group is based on equivalised disposable income (see glossary).

<sup>6</sup> The confidence intervals of these rates do not overlap with that of the average rate (see glossary).

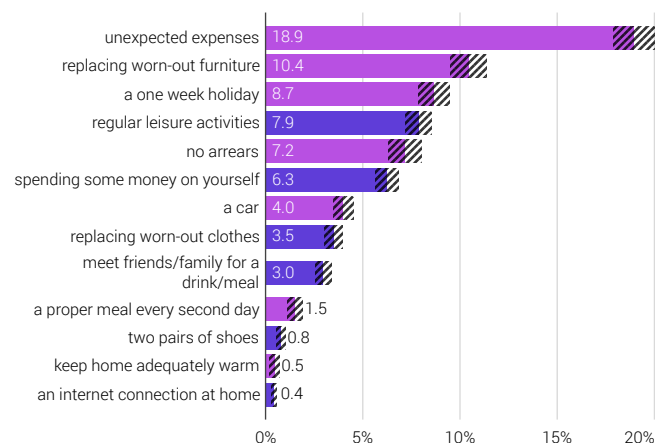
## Individual categories of deprivation

The material and social deprivation rate can also be broken down by category. This shows how widespread the various categories of deprivation are in Switzerland (see G2).

By far the most common type of deprivation is the inability to face unexpected financial expenses of CHF 2500 within one month. In 2021 almost a fifth of the population was living in a household that was unable to face such expenses. The next two most frequent deprivations also affected the household as a whole. 10.4% of the population said they did not have the financial means to replace worn-out furniture, and 8.7% were unable to go on holiday for at least one week every year. At 7.9%, the commonest deprivation at individual level was forgoing a regular leisure activity for financial reasons.

Deprivation, by area, 2021

G2



/// Confidence interval (95%)

The areas shown in purple refer to the household level and the areas shown in blue to the individual level (only persons aged 16 and over).

These results represent the situation in the first half of 2021 (data collection from January to June 2021).

Source: FSO – Statistics on Income and Living Conditions, SILC-2021 (23.03.2023 version)

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7.2% of the population lived in households that, according to the respondents, had had payments arrears for daily necessities in the last twelve months. According to the Eurostat definition, this includes invoices for the following: Rent or mortgage payments for the main residence, utility bills (water, electricity, gas and heating) and loan repayments. If arrears on health insurance premiums (basic insurance) and taxes are also included, this rate rises to 11.5%.

Furthermore, 6.3% of the population said that they were unable to spend some money on themselves every week without having to ask someone. 4.0% did not have a car for financial reasons, 3.5% were unable to buy themselves new clothes now and again, and 3.0% could not afford to meet friends or family at least once a month to eat or drink something together. In addition, 1.5% of the population could not afford a proper meal with meat, fish or vegetarian equivalent at least every other day. The other categories (two pairs of shoes, heating and internet access) concerned less than 1% of the population in Switzerland and were therefore, relatively seldom.

### Deprivation and COVID-19

In 2021, in the categories “meet friends/family for a drink/meal” and “regular leisure activities”, considerably fewer people were deprived for financial reasons than in 2019. However, the proportion of people who did not take part in these activities for “other reasons” rose. The decline in deprivation in these categories is therefore due rather to restrictions during the COVID-19 pandemic than to an improvement in people’s financial situation. No major effects of the pandemic were noticeable, however, in the remaining categories.

### Deprivation and monetary poverty

Information on deprivation is usually used in addition to information on income poverty. The FSO’s poverty indicators are also calculated on the basis of the SILC survey, enabling the overlap between deprivation and income poverty to be pinpointed.<sup>7</sup>

In fact, there is no perfect correlation between these two concepts (Guio et al. 2017), i.e. people can be deprived even though their income is above the poverty line, and equally, they can be income poor without being deprived. It seems plausible that financial difficulties only lead to deprivation after some time. Moreover, households may be able to use resources other than income to maintain their standard of living (e.g. savings, social networks, benefits in kind). On the other hand, particular needs (e.g. health impairment) can increase the cost of living, so that in some cases even income above the poverty line is insufficient to prevent material and social deprivation).<sup>8</sup>

G3 shows that the material and social deprivation rate is significantly higher among the income poor than among the non-income poor (16.5% vs. 4.2%). However, major differences exist between the age groups. While the livelihood of working-age people is mainly assured through income, people of retirement age are more often able to fall back on other resources, such as assets. The differences in poverty status, therefore, are smaller among older persons.

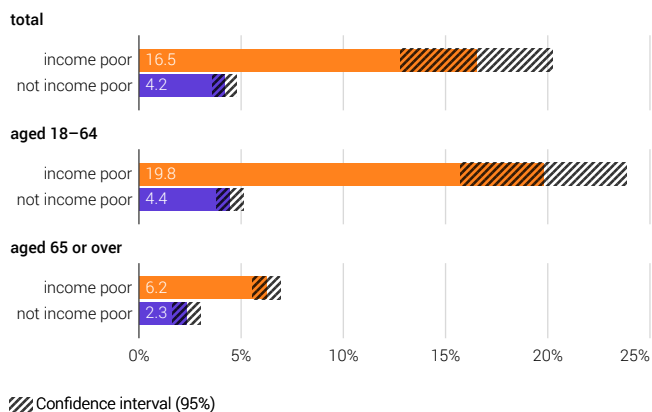
<sup>7</sup> The poverty threshold used here is based on guidelines from the Swiss Conference for Social Welfare (SKOS). It consists of a fixed amount to cover living expenses, individual housing costs as well as CHF 100 per month per person aged 16 or over in the household for additional expenses.

<sup>8</sup> See e.g. Nolan & Whelan (2010) for an empirical investigation of such deviations and an overview of the literature on possible reasons for them.

Significantly more income poor people are deprived in the individual categories (see G4). For example, around half of working-age people who are income poor cannot meet unexpected expenses, and around a quarter cannot afford leisure activities, a one-week holiday or new furniture for financial reasons. These proportions are considerably lower for working-age people who are not income poor.

### Material and social deprivation rate, by poverty status and age, 2021

G3



These results represent the situation in the first half of 2021 (data collection from January to June 2021).

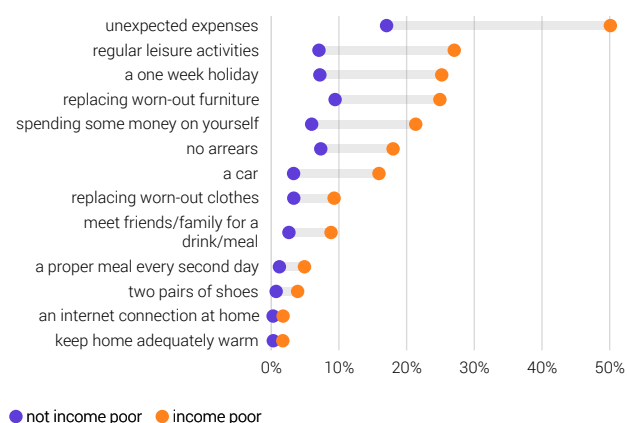
Source: FSO – Statistics on Income and Living Conditions, SILC-2021 (23.03.2023 version)

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### Deprivation, by area and poverty status, 2021

Population from age 18 to 64

G4



These results represent the situation in the first half of 2021 (data collection from January to June 2021).

Source: FSO – Statistics on Income and Living Conditions, SILC-2021 (23.03.2023 version)

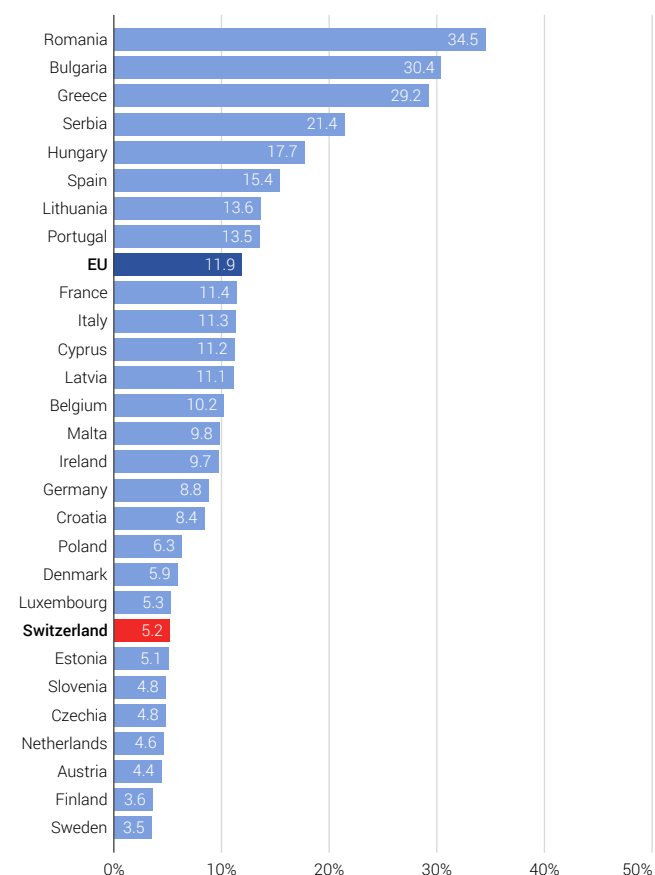
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## Material and social deprivation in Europe

As the information on material and social deprivation is collected in all SILC countries, the results can be compared at the European level.<sup>9</sup> The material and social deprivation rate in Switzerland in 2021 was 5.2%, well below the European average of 11.9% (see G5). Austria was our only neighbouring country with a lower rate than Switzerland. In contrast, in Germany, France and Italy, it was considerably higher. The highest material and social deprivation rates were seen in Romania (34.5%) and the lowest in Sweden (3.5%).

### Material and social deprivation rate in Europe, 2021

G5



These results represent the situation in the first half of 2021 (Swiss data collection from January to June 2021).

Source: Eurostat – EU-SILC 2021 (14.02.2023 version)

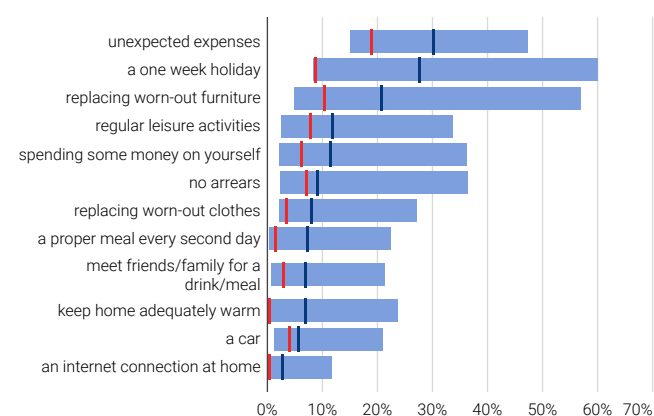
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<sup>9</sup> The comparison of European countries is available on the Eurostat database: <https://ec.europa.eu/eurostat/web/income-and-living-conditions/database>

The order of the individual categories was similar at European level to that of Switzerland (see G6). Thus, in 2021, the most common enforced lack in Europe was the inability to meet unexpected expenses.<sup>10</sup> On average, 30.1% of the European population were unable to meet such expenses. There were, however, large differences between countries. In 2021 the rate ranged from 15.1% (Netherlands) to 47.3% (Romania). The second most frequent enforced lack in Europe was the category “a one-week holiday” with 27.6%. At 8.7%, this lack was only placed third in Switzerland. Here again, there were large differences between countries. Whereas in Sweden, 8.3% had to go without holidays, in Romania this figure was about seven times as high (60.0%). Going without a car, which ranked sixth in Switzerland at 4.0%, reached 5.7% in European average in only 11th place and was therefore mentioned relatively rarely. In Europe, the only category that was less frequent was not having an internet connection at home (2.7%).

Deprivation in Europe, by area, 2021

G6



■ Range between the minimum and maximum value in Europe ■ Switzerland  
■ European average

These results represent the situation in the first half of 2021 (Swiss data collection from January to June 2021).

Reading example: In the area of «unexpected expenditure», the proportion of deprived persons varied between 15.1% (Netherlands) and 47.3% (Romania). Switzerland's value (18.9%) was below the European average (30.1%).

Source: Eurostat – EU-SILC 2021 (14.02.2023 version)

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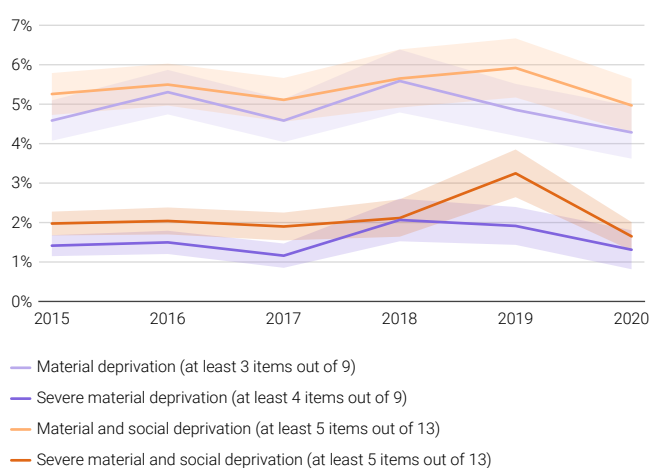
## Comparison with the previous material deprivation indicator

In order to be able to examine the effects of the revision on the results, the data up to 2020 are used. This is the last year in which both definitions of deprivation (previous and new concept) can be implemented.<sup>11</sup>

G7 shows that in Switzerland, the material and social deprivation rate and the previous material deprivation rate did not differ significantly from each other in any of the years considered. The two severe deprivation rates were also similar except for a slightly larger difference in 2019. There are also no significant differences in the subgroups between the proportion of people affected according to the previous and the new concept of deprivation.

Development of deprivation, 2015–2020

G7



The confidence interval (95%) is shown by a lighter area.

Source: FSO – Statistics on Income and Living Conditions, SILC

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However, further analyses show that at individual level, changes can result between the two definitions (see T2). As a case in point, in 2020 just 3.3% of the population were classified as deprived according to both definitions. A third of the people (1.7% of the population) who according to the new definition were considered deprived, however, were not classified as deprived according to the previous definition, and around a quarter of the people (1.0% of the population) who were considered deprived according to the previous definition were no longer classified as such after the revision. These proportions may vary depending on the subgroup.

Although the proportions of affected people are similar, the results of the two concepts cannot, therefore, be directly compared with one another. For this reason, analyses based on the new concept are provided retroactively for the years from 2015.

<sup>10</sup> The amount asked depends on the income level of the country and roughly corresponds to the at-risk-of-poverty threshold for one month. In Switzerland, this amounts to around CHF 2500.

<sup>11</sup> From 2021 onwards, the questions about access to a washing machine and owning a colour TV were no longer asked.

## Part of deprived population, according to previous and new definition, 2020 T 2

	Not deprived (new definition)	Deprived (new definition)	Total
Not deprived (previous definition)	94.0%	1.7%	95.7%
Deprived (previous definition)	1.0%	3.3%	4.3%
Total	95.0%	5.0%	100%

Source: FSO – Statistics on Income and Living Conditions, SILC-2020, (25.11.2022 version)

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## Conclusions

The new material and social deprivation rate replaces the previous material deprivation indicator. The level of the rate, the development over time and the risk groups with the new indicator are similar to those seen with previous analyses. Nevertheless, the figures cannot be directly compared.

The indicator's validity is increased with the new definition, as it is now based on a larger number of questions; questions that have become less relevant are no longer included. By now covering social categories too, and asking questions at individual level, there are further possibilities for analysis that in future can be assessed in greater detail.

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## Glossary

### Material and social deprivation

A person is considered materially and socially deprived if he or she faces a lack, for financial reasons, in at least 5 of 13 areas of daily life that most people in Europe consider desirable or even necessary to lead a decent life. Severe material and social deprivation is defined as a lack in at least 7 of the 13 areas considered.

The areas considered at household level are

- To have no arrears (rent or mortgage interest for the main residence, utility bills for water, electricity, gas and heating, and credit repayments)
- Capacity to face unexpected financial expenses of 2500 CHF within a month
- Capacity to afford a one week annual holiday away from home
- Capacity to afford a meal with meat, fish or vegetarian equivalent every second day
- Ability to keep home adequately warm
- Having access to a car for personal use
- Replacing worn-out furniture

The areas considered at the individual level are

- Having an internet connection at home (including smartphone, tablet etc.)
- Replacing worn out clothes with some new ones
- Having two pairs of properly fitting shoes (including a pair of all-weather shoes)
- Spending a small amount of money each week on him/herself, without having to consult anyone
- Having regular leisure activities that cost money
- Getting together with friends or family for a drink or a meal at least once a month

### Accuracy of the results and significance

Results from sample surveys are always marked by a degree of uncertainty. This can be quantified by calculating a confidence interval which is narrower the more accurate the results. The difference between two estimated values is considered statistically significant if their confidence intervals do not overlap.

### Disposable equivalised income

The disposable equivalised income is calculated on the basis of the disposable household income (gross household income minus social insurance contributions, taxes, basic health insurance premiums, alimony and other maintenance payments), taking into account the size and composition of households by means of an equivalence scale (OECD-modified scale). This allows for savings which result from the communal economic activity of a household with several persons.

## Financially enforced lack

In order to differentiate between an enforced lack for financial reasons and a lack for other reasons, questions have a multi-level structure: The first question asked is whether a lack exists, e.g. "Does your household have a car for private use?". If the answer to the first question is "no", the next question is whether the lack of a car is due to financial or other reasons.

### Statistics on Income and Living Conditions (SILC)

The Statistics on Income and Living Conditions (SILC) is conducted in more than 30 European countries. In Switzerland, some 8500 households with more than 18 000 individuals are surveyed every year. The aim of the survey is to study poverty, social exclusion and living conditions on the basis of indicators that can be compared at the European level. In 2021, a special module on child deprivation was included in the SILC survey.

[www.silc.bfs.admin.ch](http://www.silc.bfs.admin.ch)

## Further information

[www.statistics.admin.ch](http://www.statistics.admin.ch) → Look for statistics → 20 Economic and social situation of the population → Social situation, well-being and poverty → Poverty and deprivation → Material and social deprivation

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### The MONET 2030 indicator system

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