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ECONOMIC SECURITY AND PHYSICAL SAFETY IN EU COUNTRIES

Abstract: Evaluating of the population quality of life in each country, including EU countries, it is especially important to take into account economic security and physical safety. These are particularly sensitive categories in the context of a crisis of a different nature, including the Covid-19 pandemic health crisis. Considering that, the paper is aimed at perceiving the conditions and changes in the economic security and physical safety of the EU countries' population, particularly in the period after the emergence of the global financial and economic crisis, as well as the Covid-19 pandemic, namely from 2010 to 2021.

The results indicate that the global financial and economic crisis has a direct impact on the economic security of individuals in the EU. Thus, seen from 2010 to 2014, there is a gradual increase in the share of the population that cannot cope with unexpected expenses and/or has regular monthly payments in arrears. These participations are decreasing over the coming years, including the years after the emergence of the Covid-19 pandemic. The pandemic did not leave drastic consequences in a large part of the EU countries in the analyzed segments, i.e. they successfully coped with the unexpected financial implications of the pandemic crisis and the payment of regular expenses, as well as in maintaining physical safety.

Key words: Material living conditions, Economic security, Physical safety, EU countries

JEL classification: I31, D6

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Introduction

There are many risks that can unexpectedly and negatively affect the financial security of an individual or household. These risks are usually divided into two categories: economic and physical security. The first category is analyzed through statistics that measure a range of different situations that people may face, such as not being able to face unexpected financial costs or being short of financial means to pay a mortgage, rent, utility bills or rent. The second part of the analysis deals with physical security, analyzing crime statistics as well as subjective information about the share of the population that faces crime, violence or vandalism in the area where they live.

These are particularly sensitive categories in conditions of crisis of various nature, including the health pandemic crisis Covid-19. For this purpose, the paper is aimed at evaluating the economic security and physical safety of the population in the EU countries, as well as the changes that occurred especially in the period immediately after the emergence of the global financial crisis (2007/2008) as well as the period of the emergence of the Covid-19 pandemic. In doing so, relevant indicators are used during the research.

The rest of this paper is structured as follows. In the next section results related to economic security are perceived. Then the analyzes and results related to physical security follow, and finally the key conclusions from the analysis are drawn.

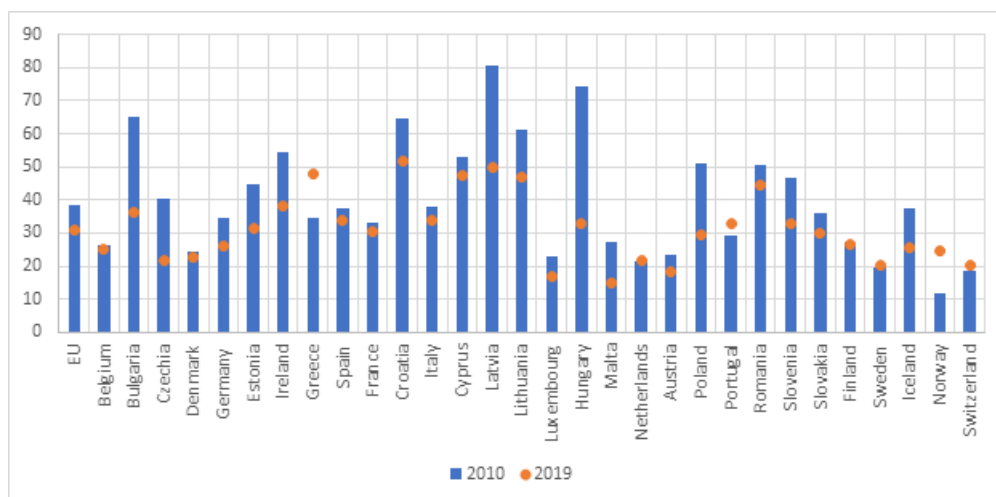
1. ECONOMIC SECURITY OF EU COUNTRIES

The concept of economic security, in a narrow sense, implies the ability of an individual to use financial resources if they are urgently needed. Broadly defined, it encompasses the overall vulnerability or resilience of people to such adverse situations and the existence of support mechanisms - human and social resources - that provide the necessary security to individuals.

Having in mind that economic security is especially important for the people quality of life, including in EU, this part of the paper focus on the evaluation of this aspect. Hence, the data in Chart 1 indicates that in 2019, almost every third person (30.9%) in the EU can't cope with unexpected financial expenses. As a consequence of the global financial and economic crisis, the share of the population that could not face unexpected financial expenses was 37.1%

in 2010, and this share gradually rose to a peak of 40.4% by 2012.¹ This means that this kind of crisis left significant impact on the economic security and EU citizens' quality of life.

Chart 1. Percentage of population with the inability to face unexpected financial expenses, 2010 and 2019



Source: Eurostat (*ilc_mdes04*)

The data also shows that economic uncertainty was generally more prevalent in two of the Baltic (Latvia and Lithuania), several Eastern (Croatia, Romania, Bulgaria), as well as in two Southern member states (Greece and Cyprus). In 2019, more than half of the population stated that they could not pay for unexpected financial expenses in one of the member states of the European Union (EU), namely Croatia (51.7%). On the other hand, less than a quarter of the population faced such difficulties in Denmark, Netherlands, Czech Republic, Sweden, Austria, Luxembourg and Malta, where the lowest participation was recorded, at 15.1%.

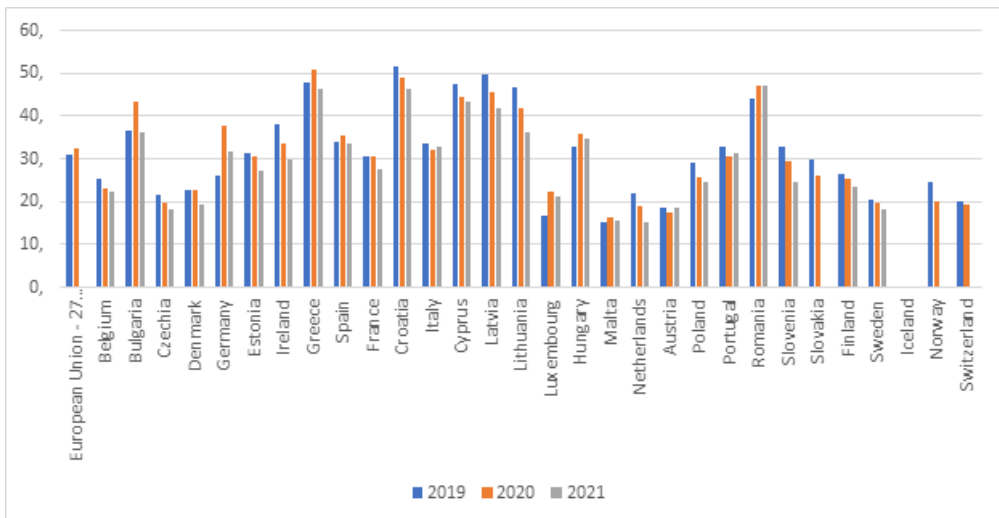
Across the EU, the share of the population unable to face unexpected financial costs fell by 6.2 percentage points between 2010 and 2019. The largest decrease was observed in Hungary, where the share of the population unable to face unexpected financial expenses fell by 40.9 percentage points.

The impact of the Covid19 pandemic is visible in Chart 2, which present that similar conditions are observed even after the outbreak of the pandemic.

¹ Eurostat, https://ec.europa.eu/eurostat/databrowser/view/ilc_mdes04/default/table?lang=en

Namely, in the majority of EU countries, the tendency to reduce the percentage of people who cannot face unforeseen expenses from 2019 continued in 2020 and 2021, while in some it remained at the same level. The exception is a few of them (Bulgaria, Germany, Greece, Spain, Luxembourg, Hungary, Malta and Romania) where the crisis caused a certain increase in this percentage. But this applies mainly to 2020. Already in 2021, the trend of decreasing this percentage continues in these countries as well. This indicates that despite expected deteriorations as a result of the pandemic, stable economies did not allow the pandemic to be reflected in the quality of life of the population seen through this indicator.

Chart 2. Percentage of population unable to face unexpected financial costs after the outbreak of the Covid-19 pandemic

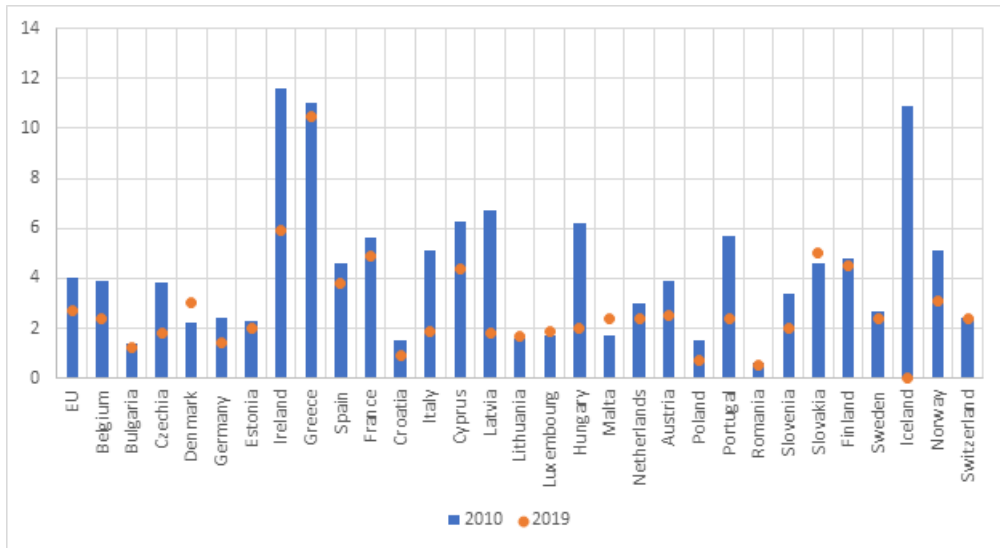


Source: Eurostat (ilc_mdcs04)

In its broadest sense, the term economic vulnerability refers to situations in which individuals, households or subgroups of the population are exposed to risks as a result of insufficient resources to deal with the consequences of unexpected situations. This indicator can be used to identify those groups in society that are unable to withstand the potential damage that may be caused by an unwelcome (financial) shock. As a matter of course, most of the population living below the poverty line could not face unexpected financial expenses. The risk of economic vulnerability in many of these countries was often significantly higher for people living below the poverty line than for

people living above the poverty line. In 2019, almost two thirds (63.7%) of the EU population living below the poverty line faced such risks, while the corresponding share of people living above the poverty line was less than a quarter (24.4%). As shown, overall economic vulnerability is generally less prevalent in Western and Nordic member states.²

Chart 3. Percentage of population with mortgage or rental arrears, 2010 and 2019



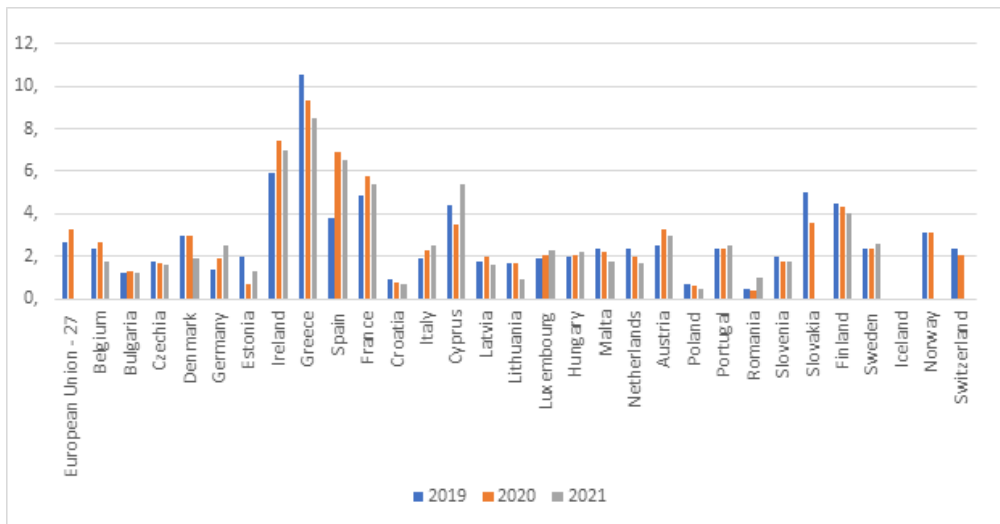
Source: Eurostat (ilc_mdes06)

When it comes to indebtedness and unpaid debts of the population, in 2019, mortgage or rental arrears were most prevalent in Greece, where 10.5% of the total population had outstanding debts of this type. This is significantly higher than in any other EU member state, as the next highest percentage was recorded in Ireland 5.9%, followed by Slovakia 5.0%. The share of the population reporting mortgage or rent arrears is below 5.0% in the rest of the EU member states, falling to less than 2.0% in ten of them and reaching a low of 0.5% in Romania. These low levels are partly a result of the small share of the overall population that had a mortgage or rented at market rates, limiting the proportion of people who might be in arrears on their mortgage or rent. The

² Petkovski V. and Stanceva Gigov, I., Kvalitetot na zivot na naselenieto vo Republika Severna Makedonija vo vreme na Covid-19 pandemijata, Univerzitet Sv. Kiril i Metodij vo Skopje, Ekonomski institut – Skopje, Skopje, 2022 godina, p. 95

percentage of the population in arrears with mortgage or rent payments more than doubled between 2010 and 2019 in Malta (from 1.1% to 2.4%), while four other member states registered a minimal increase, namely Greece (from 10.2% to 10.5%.), Denmark (from 2.7% to 3.0%), Lithuania (from 1.3% to 1.7%) and Luxembourg (from 1.4% to 1.9%). On the other hand, in twenty-one member states, that share of the population decreased slightly. (Chart 3)

Chart 4. Percentage of population with mortgage or rental arrears after the outbreak of the Covid-19 pandemic



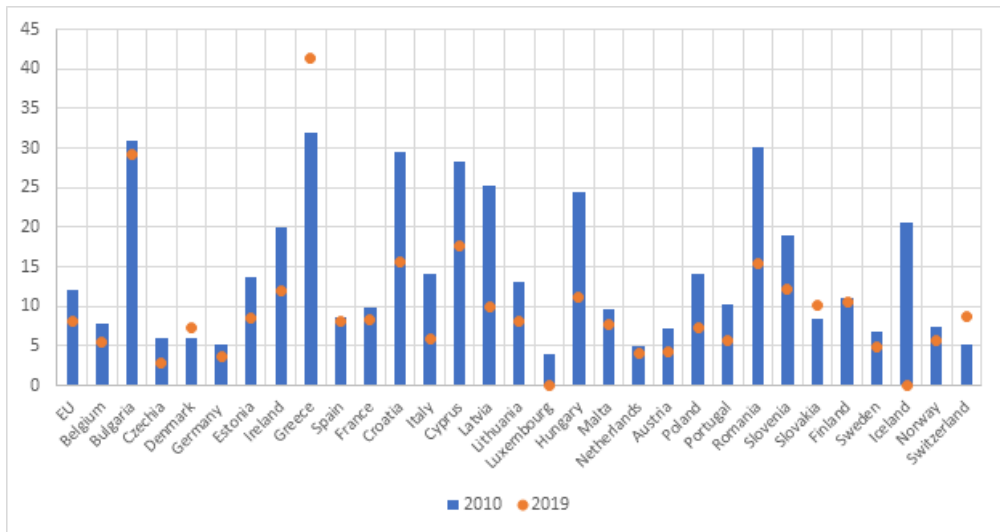
Source: Eurostat (*ilc_mdcs06*)

The data presented in Chart 5 cover the broader concept, which in addition to arrears for housing-related payments (mortgage or rent), also includes arrears for other items such as utility bills or rent payments that are usually paid in monthly instalments. Less than a tenth (8.2%) of the EU population had such outstanding debts in 2019. In Greece, almost half (41.4 %) of the population had mortgage or rent debts, utility bills or rent payments, and this share is almost a third (29.3 %) in Bulgaria. In contrast, 17 of the 27 member states recorded single-digit percentages of less than 10.0%. At the same time, the percentage of the population that was in arrears on mortgage or rent, utility bills or rent payments fell to 2.8% in the Czech Republic. In 2019, the share of the Romanian population that was late on mortgage or rent, utility bills or rent payments was about 30.8 times higher than the share that was late only on mortgage or rent payments. A similar pattern is observed in Croatia (17.4 times

higher) and Bulgaria (24.4 times higher), where the vast majority of arrears are therefore related to utility bills or rent payments.

In the conditions of a pandemic crisis, there is a certain increase in this percentage of the population in almost 11 EU countries in the range of 0.1 to 1.5 percentage points in a given country, presented in Chart 3. Taking into account the changes from the pre-pandemic period that were previously shown, it can be concluded that the crisis caused only minor shifts in the negative direction in certain countries. (Chart 4)

Chart 5. Percentage of population with arrears (mortgage or rent, utility bills or hire purchase), 2010 and 2019



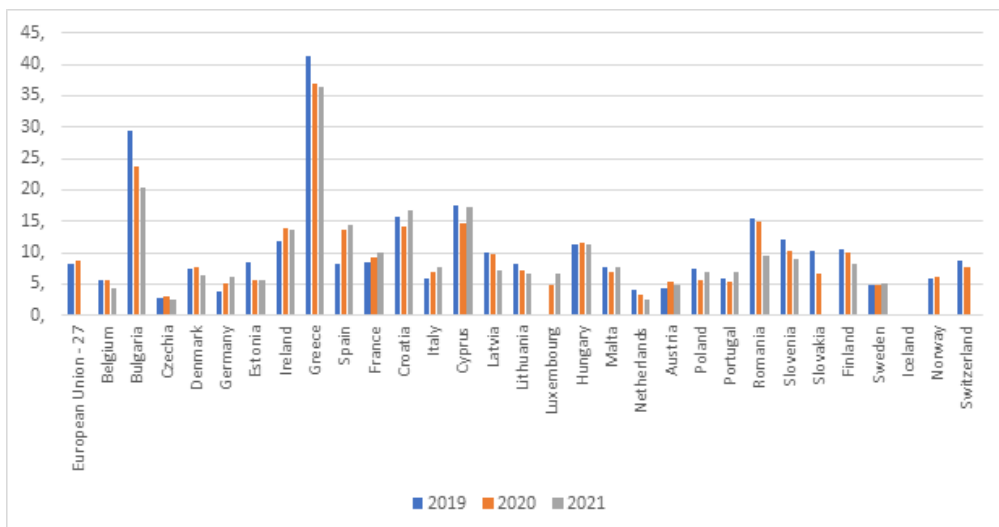
Source: Eurostat (ilc_mdcs05)

The overall proportion of the EU population with mortgage or rent arrears, utility bills or rent payments fell by 4.2 percentage points between 2010 and 2019. However, in three EU member states, in the same period, the share increased, most notably in Greece (+10.5 percentage points), the other two countries are Denmark and Finland (increases were really small, 1.1 and 0.2 percentage points, respectively). In Malta, this share remained unchanged in the relevant period. In all the remaining 23 member states, the share of the population in mortgage or rent arrears, utility bills or rent payments fell, most notably in Latvia (-15.3 percentage points) and Croatia (-14.4 percentage points).

Also according to this indicator, in 2020 in almost 40% of the countries there were minimal increases in the percentage of the population that is late in paying this category of expenses. Given that the changes are minor, it is considered that the pandemic did not cause drastic disruptions in this segment of the population's life. (Chart 6)

In addition to low income (both in relative and absolute terms), which is a major contributing factor in explaining the proportion of the population in arrears for mortgage or rent, utility bills or rent payments, there are other factors that can affect the ability of individuals to service their debt and other regular expenses. One of them is the composition of the household. For example, people living in single-person households with dependent children or households with three or more dependent children are more likely to experience economic insecurity than the population as a whole. While, in 2019, just under a tenth (8.2%) of the EU population had mortgage or rent arrears, utility bills or rent payments, this share is almost double - 15.5% among households with single persons with dependent children and it was also significantly higher, i.e. 13.3% in households consisting of two adults with three or more dependent children. In all EU member states, households 58.9% in Greece and 35.2% in Bulgaria. Households consisting of two adults

Chart 6. Percentage of population with arrears (mortgage or rent, utility bills or hire purchase) after the outbreak of the Covid-19 pandemic



Source: Eurostat (ilc_mdes05)

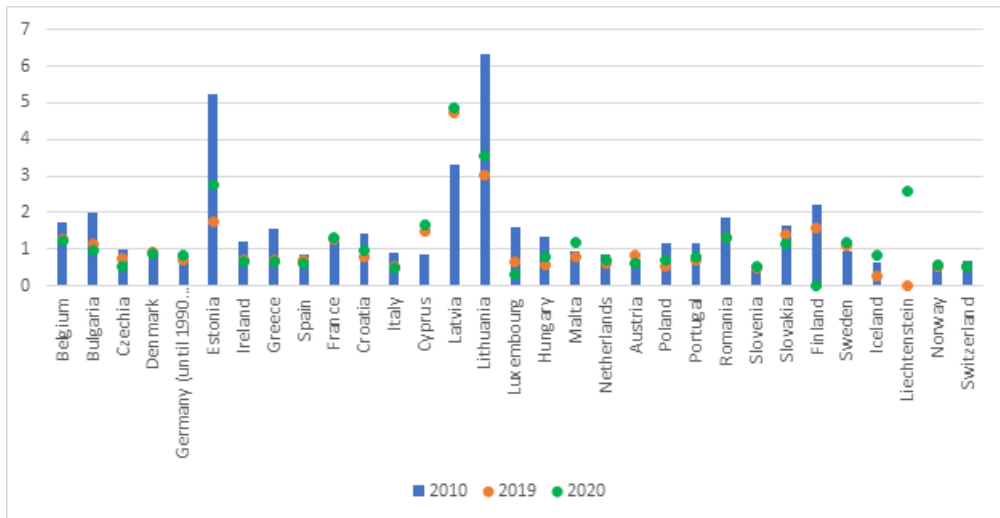
with three or more dependent children were also more likely to be in debt than the average share. This share reached a maximum of almost two-thirds (60.0%) in Bulgaria, while the next highest shares were recorded in Greece (52.0%) and Cyprus (29.5%).³

2. PHYSICAL SAFETY IN EU COUNTRIES

In addition to financial security, the physical security of the population is also important for the quality of life. Physical safety refers to protection from any situation that puts an individual's physical safety at risk - this can include crime and violence. Often, the perceived lack of physical safety can affect the subjective well-being of the population. For example, homicide accounts for only a small proportion of the total number of deaths in the EU each year, but its impact on people's emotional lives can be significant. Consequently, some crimes that have the potential to affect a person's physical safety are often socially amplified, increasing feelings of insecurity or anxiety.

In 2019, the homicide rate per 100,000 inhabitants peaked at 4.74 in Latvia, with the second and third highest rates also among the Baltic member states, with 3.01 homicides per 100,000 inhabitants in Lithuania and 1.74 in Estonia. At the other end of the range, the lowest coefficients are recorded in Slovenia (0.48), Italy (0.52) and Poland (0.54). A comparison between 2010 and 2019 reveals that the number of homicides per 100,000 inhabitants is generally declining. The incidence of homicides fell by a significant margin in both Lithuania and Estonia, while relatively large decreases were also seen in Luxembourg, Greece and Bulgaria. In six EU member states, an increase in the rate was observed: Denmark, France, Austria, Sweden, Cyprus and Latvia. (Chart 7)

³ Op.Cit., Petkovski V. and Stanceva Gigov, I., Kvalitetot na zivot na naselenieto vo Republika Severna Makedonija vo vreme na Covid-19 pandemijata, ..., p. 98

Chart 7. Number of Intentional homicide Per hundred thousand inhabitants in EU countries, 2010, 2019 and 2020

Source: Eurostat (*crim_off_cat*)

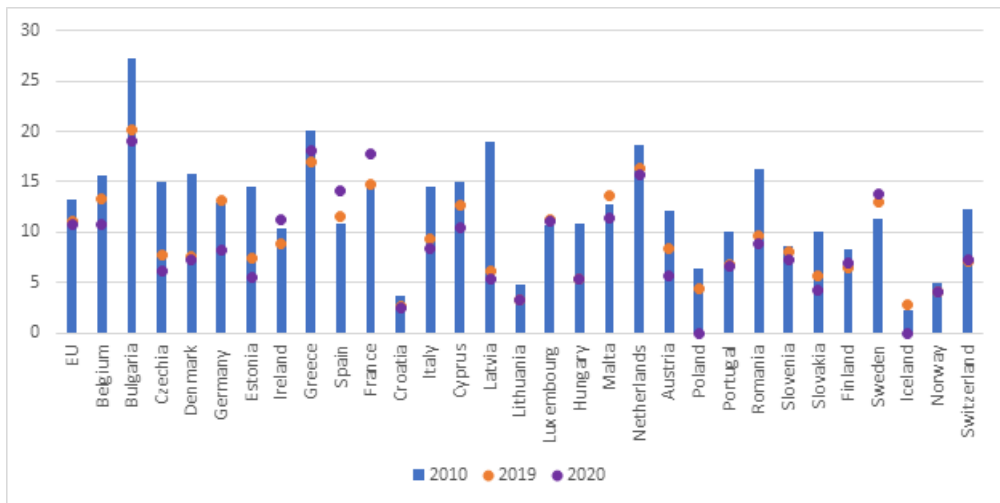
The number of homicides during the pandemic year 2020 shows a certain stability. Namely, there are no major disturbances and significant increases in these figures. Hence, the pandemic did not leave direct negative implications in this segment that year. But it should also be assumed that the pandemic may have its impact on the number of homicides a little later, in a year. (Chart 7)

As previously mentioned, individual perceptions of crime rates do not always correspond to the actual prevalence of crime, and this is one reason why subjective indicators can be useful as a supplement to objective indicators. In 2019, almost one in nine people (11.0%) in EU witnessed crime, violence or vandalism in the area where they lived (see Figure 47). This share peaked with more than a fifth (20.2%) of the population in Bulgaria, followed by 16.9% in Greece and 16.3% in the Netherlands. In 16 member states, the share of the population that perceived crime, violence or vandalism in their area was less than 10.0%, and the lowest rates were recorded in Hungary (5.3%), Poland (4.4%), Lithuania (3.2%) and Croatia (2.7%). (Chart 8)

Between 2010 and 2019, generally there has been a decline in the share of the population who have perceived crime, violence or vandalism in the area where they live. In the EU, this percentage fell from 13.1% in 2010 to 11.0% in 2019, and it also fell in the majority (22 out of 27) of the member states. There are relatively large reductions in Latvia, Estonia, the Czech Republic and Bul-

garia. In contrast, the proportion of the population who witnessed crime, violence or vandalism in their area of residence increased at a modest pace in five Member States. Sweden recorded the biggest increase (by 1.7 percentage points). Such relatively similar tendencies and conditions were also observed during the pandemic year 2020. (Chart 8)

Chart 8. Percentage of the population who have witnessed crime, violence or vandalism in their area of residence, 2010, 2019 and 2020



Source: Eurostat (ilc_mddw03)

Likewise, 13.4% of the EU population living below the poverty line in 2019 thought there was crime, violence or vandalism in the area where they lived. This percentage is slightly lower among the population that lived above the poverty threshold (10.6%). This pattern is found in most EU member states and was particularly evident in France, with respective proportions of 21.8% and 13.6%.⁴

The Chart 9 below shows the perceived crime, violence or vandalism according to the degree of urbanization. In 2019, the perception among the EU population that these issues were relevant to the area where they lived was significantly higher for people living in cities (17.0%) than suburbs (9.1%) or rural areas (5.6%). The percentage of the population that believes there is crime, violence or vandalism in the area where they lived is the highest in

⁴ Eurostat, https://ec.europa.eu/eurostat/databrowser/view/ILC_MDDW03_custom_1780750/default/table?lang=en

Bulgaria. In 2019, the share of people living in Bulgarian cities who noticed such problems was 1.6 times higher than the EU average (27.8% compared to 17.0%). The lowest levels of perception - in all three degrees of urbanization - were observed in Lithuania and Croatia.

In all EU member states, the highest perception of crime, violence or vandalism is seen among people living in cities. More than a quarter of city dwellers in Bulgaria and Greece and more than 20% in France, Germany, the Netherlands and Belgium reported such security problems. The lowest perception of crime, violence or vandalism is generally seen among people living in rural areas. This pattern was repeated in most member states, except Bulgaria, Belgium, Estonia, Hungary and Lithuania, for which the lowest rate was recorded for cities and suburbs.

Char 9. Percentage of the population who witnessed crime, violence or vandalism in their place of residence, according to degree of urbanization 2019



Source: Eurostat (*ilc_mddw06*)

In Latvia, the share of city dwellers who have witnessed crime, violence or vandalism in their area is 8.4 times higher than for people living in rural areas. In Ireland, Croatia, Germany, the Czech Republic, Greece, Poland and Austria, the perception of security problems among city dwellers was at least 3.5 times higher than among people living in rural areas. On the other hand, in Hungary, Slovakia, Romania, Cyprus, Belgium, Bulgaria and Sweden, the

share of city dwellers who have noticed such problems is less than double that of people living in rural areas.

Conclusion

The foregoing shows that the global financial and economic crisis has a direct impact on the economic security of individuals in the EU. Thus, by 2014 there was a gradual increase in the share of the population that could not cope with unexpected expenses and/or had regular monthly payments in arrears, but these shares fell during the following years.

A relatively high share of the population of Greece, Bulgaria and Cyprus had debts for mortgages, rent, utility bills or rent payments in 2019, while economic insecurity, measured by the share of the population unable to face unexpected financial costs, affected of more than half of Croatia's total population. In addition, people who were at risk of poverty (living below the poverty line) were more likely to be unable to service their regular payments or to be unable to cope with unexpected financial expenses. Also, households composed of single adults with children and households composed of two adults with three or more dependent children are generally the most economically vulnerable subpopulation when analyzing information by household type.

The impact of the Covid-19 pandemic, although expected to exacerbate the problem, that did not happen. Fortunately, it only minimally reflected in a negative direction and only in some countries. At the same time, the pandemic did not further threaten or reduce the level of personal safety. Hence, it can be concluded that it did not affect the level of economic security and physical security at least for this short period of analysis. The consequences of this crisis may be felt later, but they will not be able to be directly distinguished, considering the new economic crisis as well as the crisis caused by the military conflict between Ukraine and Russia.

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