

Individual resilience: how EU citizens cope in times of distress*

Headlines

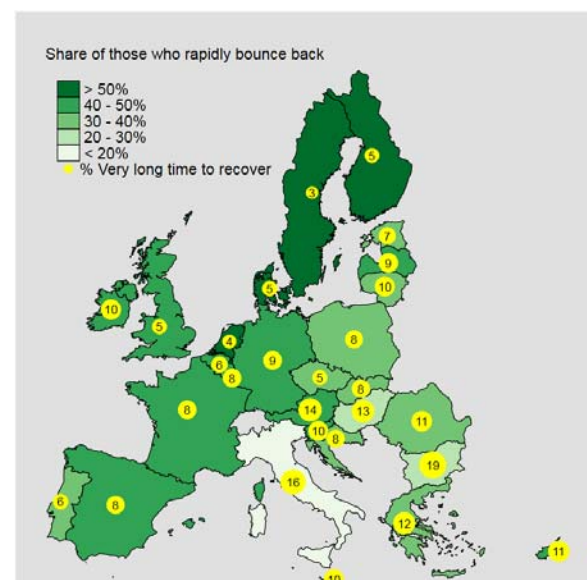
- Our estimates suggest that roughly 30 million EU citizens would not know how to cope in case of a significant drop in income.
- Among different strategies that can be employed in times of an economic stress, people often rely on savings or additional work. The unemployed have a higher propensity to ask for help from friends and relatives. The retired are the least likely to rely on their social networks.
- People in Italy, Bulgaria and Hungary find it especially difficult to recover rapidly after difficulties.
- Individuals tend to be more resilient in a society which provides a safe and prosperous environment.

2017 Eurobarometer on 'Fairness, inequality and inter-generational mobility', assesses the capacity of EU citizens to recover from shocks and analyses the strategies they employ to overcome unforeseen economic difficulties.

Who is more resilient?

There is a substantial divergence between Member States in the way people respond to the statement, 'when things go wrong in my life, it generally takes me a long time to get back to normal'. More resilient individuals are expected to recover ('bounce back') rapidly after a difficult experience.

Figure 1: Self-perceived length of recovery after difficulties



Note: Yellow circles represent the share of the least resilient

Societal challenges call for a resilient EU

After the long period of turmoil which followed the global financial and economic crisis that started in 2008, the challenges facing the EU citizens are multiplying. Economic instability and asymmetries across Member States, declining income for the young and low-skilled, intensifying environmental threats and decreasing trust in national and European institutions call for an adaptation of 'our social models to current and future challenges' ('Reflection Paper on the Social Dimension of Europe', 2017). Incorporating resilience into these social models is becoming increasingly relevant.

A resilient society rests on the shoulders of **resilient individuals – those with the capacity to deal with shocks and structural changes without compromising their own or their community's prosperity**. A forthcoming JRC report, based on the

* This brief is based on the JRC Policy Report *Individual Resilience: Better understanding for an effective targeting* (2019), Joossens Elisabeth, Anna Rita Manca, Slavica Zec, JRC Working Papers in Economics and Finance, forthcoming in 2019.

Quick Guide

The analysis presented in this brief is based on the information gathered in Eurobarometer 471 on 'Fairness, inequality and inter-generational mobility', collected in 2017. 28,000 individuals in 28 EU Member States responded on two resilience-related questions:

1. 'When things go wrong in my life, it generally takes me a long time to get back to normal', where possible answers are on a Likert scale (from strongly agree to strongly disagree).
2. 'Imagine that you or your household face a substantial fall in your income. How would you cope?', where possible answers were: (1) relying on own savings, (2) relying on help from relatives or friends, (3) relying on the state (e.g. social insurance or benefits), (4) relying on help from other sources like charitable organisations, (5) relying on private insurance payments, (6) obtaining credit from financial institutions, (7) selling possessions, (8) spending less, (9) taking up more work, (10) starting or returning to paid work, (11) do not know how to cope. Maximum 4 choices were allowed.

We have also explored how the choice of coping strategies relates to government expenditure on social protection (excluding pensions) as a share of GDP (Eurostat 2016) and the Social Progress Index (the higher it is, the higher is the extent to which countries provide for the social and environmental needs of their citizens. It ranges from 0 to 100 and is published by the Social Progress Imperative).

Geographical areas are defined as follows: Northern Europe (Denmark, Finland, Ireland, Sweden and the United Kingdom); Western Europe (Austria, Belgium, France, Germany, Luxembourg and the Netherlands); Southern Europe (Cyprus, Greece, Italy, Malta, Portugal and Spain); Eastern Europe (Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia).

People are least likely to recover rapidly after difficulties in Italy, Bulgaria and Hungary while **in Sweden, Denmark and the Netherlands they are more likely to recover rapidly** (see the colours in Figure 1).

Austria presents a particular case where more people seem to recover rapidly, but there is a high proportion of those who strongly agree that it takes them a long time to bounce back (see the yellow circles in Figure 1).

There are some interesting patterns which arise from the comparison of the polarized positions: strong agreement vs strong disagreement with the bounce back question. Within Sweden, people are 8 times more likely to be strongly confident of bouncing back after difficulties, than not. This is in contrast with Italy, where a person is 8 times less likely to perceive ease in recovery, than not.

Not surprisingly, **education is an important factor in determining who will recover rapidly**: the highly educated are 50% more likely to rapidly bounce back than their less educated peers. **Higher income doubles the chance of being able to recover rapidly**. Furthermore, **being employed increases the likelihood of faster recovery by 40%**.

How do people cope with an income drop?

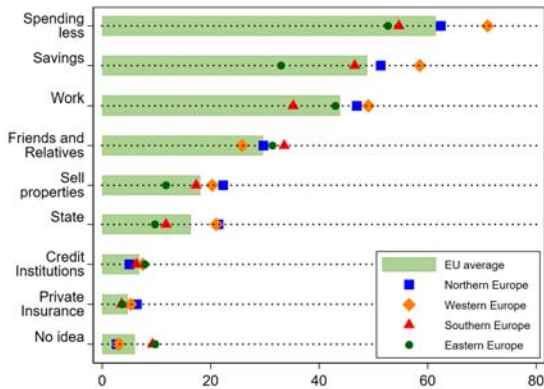
The strategies people would most likely adopt in the face of economic distress (besides spending less) are: falling back on savings (ca. 50% of people); going back to or taking up more work (ca. 45%); and calling for help from friends and relatives (30%) (see the 'Quick guide' for more details). However, there are some differences, not only across countries and between socio-economic groups. (see Figure 2 and Figure 3).

People in Eastern Europe are least likely to rely on savings, compared to other geographical areas (see the Quick guide). In particular, only 20% of Croatians would fall back on savings, and less than 30% in both Poland and Hungary, compared with more than 60% in Denmark, The Netherlands and Sweden.

Although it is reassuring that, overall, the majority of Europeans could rely on savings to mitigate the short-term effect of a drop in income, this kind of strategy might compromise their longer-term ability to cope with economic stresses.

Seeking help from friends and relatives is a frequent choice in Southern and Eastern Europe, where people are more likely to seek help within their social networks than to rely on government support.

Figure 2: Coping strategies by geographical areas



Reliance on the state is highest in Northern Europe, followed by Western Europe.

By comparison with individuals who are employed and have a high income, the unemployed are almost half as likely to rely on savings. They have a much higher propensity to seek help from friends and relatives and claim government support. A very similar pattern is discerned among individuals who are employed but in the bottom income quintile. Among all the socio-economic groups considered, the retired are least likely to ask for help from friends and relatives (see Figure 3 for details).

Private insurance and credit from financial institutions are the least popular choices, with some exceptions. In Bulgaria, 14% would choose to obtain credit from financial institutions, much more often than anywhere else in the EU. In Denmark and Sweden people rely on private insurance more frequently than the EU average.

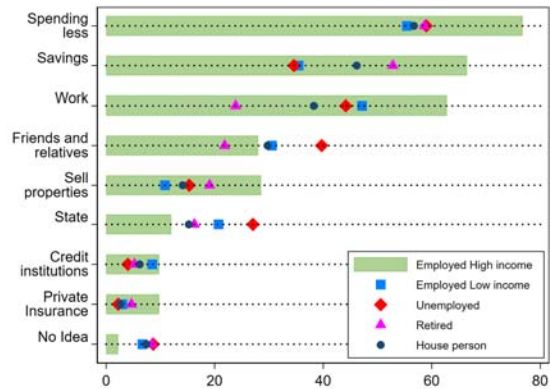
Finally, age is an important factor for the strategy choice. The youngest (15-24) rely less on savings and more on work and social network, while growing older diminishes the likelihood to rely on friends and relatives.

Economic difficulties: who has no strategy?

Almost 6% of the Eurobarometer respondents declared that they had 'no idea' how to cope in the case of a substantial fall in income. This group represents the least prepared and with the fewest resources to face an economic shock. Figure 4 shows the socio-economic profile of these people.

People with low education levels are more likely to have 'no idea' how to cope than their peers with high education. Being in the bottom two income quintiles increases the chances of not knowing how to cope. Moreover, professional status matters: housepersons, manual workers, the retired and unemployed have at least 50% higher probability of having 'no idea' compared to the self-employed. People living in a poor neighbourhood have higher chances of having 'no idea'.

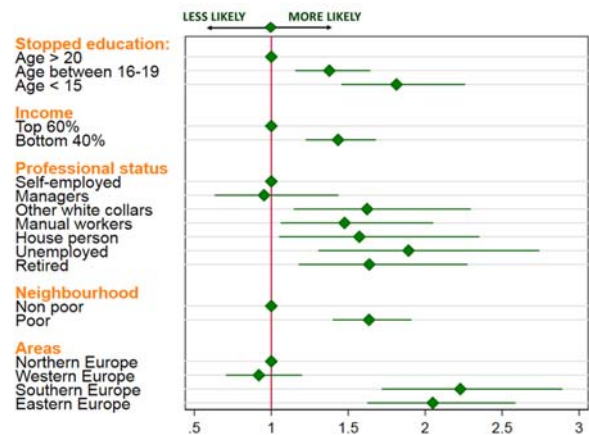
Figure 3: Coping strategies by different working and income groups



There is a clear distinction between the south-east and the north-west: the probability of not having a coping strategy is twice as high in Southern and Eastern Europe than in Northern and Western Europe.

The importance of this group is considerable, since they presumably represent the most vulnerable in the case of an economic shock. If this estimate can be projected to the total **European population**, it means that **roughly 30 million people may be in a condition of not knowing how to cope in the case of economic difficulties**.

Figure 4: Likelihood of having no coping strategies across different groups



Note: Results of logistic regressions shown in Figure 4 represent the most significant characteristics, after controlling for age, gender, marital status, household composition and social status (which are not shown in the final table). The horizontal lines through the diamonds represent the 95% confidence intervals.

The role of the state

Overall, **relying on the state is only the fifth most popular coping strategy**. As evidenced in Figure 2, the likelihood of relying on government support is particularly low in Eastern and Southern Europe.

Results show that in those countries where more people have no idea how to cope with an economic shock, seeking support from the state is less frequently considered a way out of difficulties (Figure 5).

Moreover, one would imagine that a high level of expenditure on social protection would result in a smaller share of people who lack coping strategies. This is true in Northern Europe. However, in **Poland, expenditure on social protection, which does not include pensions, is relatively high. Nevertheless, roughly 10% of people have no coping strategy, with fewer people relying on the state.** On the contrary, the share of **Irish people without a coping strategy is very low despite relative low levels of expenditure on social protection.**

Figure 5: Country share of individuals who choose the state as a strategy vs have no idea, in relation to quintiles of expenditure on social protection (pensions excluded).

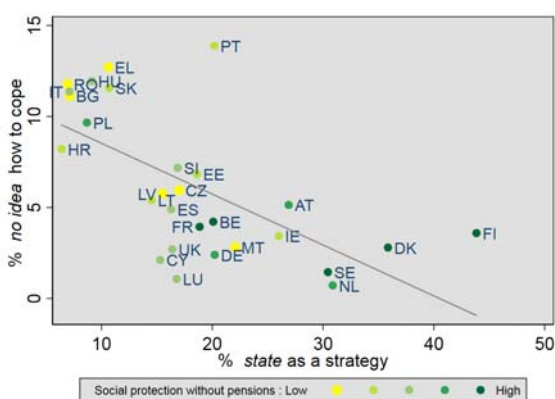
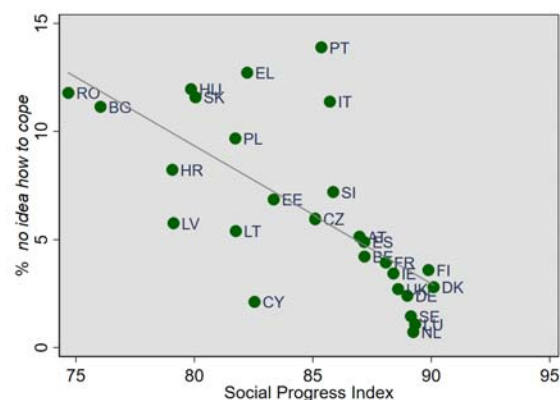


Figure 6 shows that countries with a low share of people with 'no idea' are associated with a high score on the Social Progress Index (SPI, see the 'Quick guide' for details). For those countries which score lower on the SPI, the pattern is less clear. This figure suggests that it is more difficult to be resilient in places where the building blocks for quality of life are less solid. Hence, given that

we start from the assumption that a resilient society rests on the shoulders of resilient individuals, it is also true **that individuals can be more resilient in a society which provides a safe and prosperous environment.**

Figure 6: Country share of individuals who have no idea how to cope and Social Progress Index



In conclusion, EU and national institutions should be main actors in addressing the socio-economic insecurity of their citizens, as stated in the European Pillar on Social Rights. Promoting mechanisms to increase individual resilience in the longer run is one way to reduce the existing socio-economic insecurity.

Future JRC research: Is resilience a matter of attitude?

So far we have concentrated on specific dimensions of the individual capacity to absorb a shock. However, resilience is closely dependent on personal attitude and behaviour, especially for the ability to use current shocks as windows of opportunity.

The JRC, in its novel focus on individual resilience, is preparing an indicator which recognizes the importance of personal attitude and behaviour in resilience. This indicator will be the basis of further study into whether and how fostering individual resilience could be beneficial for society in terms of inclusiveness and social cohesion.

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