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Title: Household income dynamics through the Great Recession
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Extended abstract:
Statistics about average growth in real income over a period of time such as a year are commonly used to assess socio-economic progress. However, looking at averages does not take account of the fact that some people's incomes grow more than that of others and, indeed, there may be losers as well as gainers. That is, there is a distribution within the population of changes in people's incomes over time that is hidden behind average growth figures. The objective of this paper is to study how the economic crisis recently experienced by industrialized countries has translated into variations in household incomes in Europe, using and extending recently developed methodologies.

Large-scale, comprehensive survey data on incomes during and after the GR years are only slowly becoming available. Fairly little is still known about the ways the recession has affected incomes at a micro-level and about the effects on individual living conditions of more recent fiscal consolidation measures. Recent evidence suggests that automatic stabilizers have largely cushioned the effect of the recession on household incomes during recession years in most countries. But it is expected that the persistence of high unemployment and the fiscal consolidation measures are having significant impacts in the aftermath of the GR (esp. in a number of southern European countries).

Most of the evidence to date on the distributive impacts of the GR focuses on trends over time in total income and in inequality or poverty at an aggregate level. In this paper, we take a complementary approach and look at (the distribution of) household-level experiences directly. Crucially, we incorporate sensitivity to the extent to which household income gains and losses have been greater for poor people than for rich people, i.e. the extent to which income growth/fall have been progressive. Particular attention is devoted to identifying factors accounting for the shape of the distribution of income growth and its evolution throughout the Great Recession and in recent years. This is done by focusing on changes in household income source portfolios, so as to help disentangle labour market impacts from the effects of social protection.

As this approach tracks individual fortunes over time, it requires longitudinal data: comparative longitudinal EU-SILC data are exploited in this paper in order to contrast the experience of EU countries that have experienced widely diverging economic trends in recent years.