A pan-European perspective on low-income dynamics in the EU

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Overview

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Background


Introduction

• Usual poverty & inequality measurement: national perspective

• However EU perspective also relevant:
  – Social cohesion in the EU (vs. social inclusion)
  – Intra-EU migration
  – EU social policy initiatives

• => contrasting national & EU-wide dynamics
Introduction

- EU-wide low-income proportion (LIP)

- Trends in the EU-wide income distribution by looking at those with an income below 60% of the EU-wide median equivalent disposable household income

- EU-wide low-income gap (LIG)

- Normalised EU-wide ‘poverty gap’ averaged over total population
Data & Methods

• Data:
  – Break in time series in 2008: Spain, France, Austria and Cyprus
  – EU-SILC 2008 UDB version 7 and EU-SILC 2007 UDB version 6 (UK)
  – EU-SILC 2009 UDB version 7 and EU-SILC 2008 UDB version 7 (UK)
  – EU-SILC 2010 UDB version 6, and EU-SILC 2009 UDB, version 7 (UK)
  – EU-SILC 2011 UDB version 5 and EU-SILC 2010 UDB version 6 (UK)
  – EU-SILC 2012 UDB version 3 and EU-SILC 2011 UDB version 5 (UK)
  – EU-SILC 2013 UDB version 2 and EU-SILC 2012 UDB, version 3 (UK)
  – EU-SILC 2014 UDB version 1 and EU-SILC 2013 UDB version 2 (UK)
  – Breaks: 2011 wave in Denmark, the 2012 wave in the UK and the 2014 wave in Estonia
Data & Methods

• Variance estimation
  – Take as much as possible account of sample design
  – Assume no covariance between waves

  – Goedemé (2013), Zardo Trindade & Goedemé (2016)

  – Whenever possible, take relativity poverty line into account
Data & Methods

• Income

  – Equivalent disposable household income
  – Converted into Purchasing Power Standards
  – PPPs final household consumption Eurostat
  – Expressed as percentage of year-specific EU-wide median
  – Mimic AROP60 methodology with year-specific EU-wide median income as reference
Results

• Overall trends in the income distribution
• The LIP and LIG across countries
• The composition of the LIP and LIG
• LIP and LIG vs. national AROP60
Results

The diagram shows the density distributions for various countries (AT, BE, BG, CY, CZ, DE, DK, EE, EL) over the years 2008 and 2014. Each graph compares the distribution of income relative to the EU-wide median income, with 40/60 percent as a reference point.
Results

The image shows a series of density plots for different countries (ES, FI, FR, HU, IE, IT, LT, LU, LV) with two lines indicating the 40/60 percent of the EU-wide median income. The lines are marked for the years 2008 and 2014.
Results
LIP decreased, with strong variation

LIP, threshold = 60% EU-wide median

CSB

Poverty, Social Policy and Innovation

Slide 13
LIP decreased, with strong variation

LIP, threshold = 60% EU-wide median

CSB

Poverty, Social Policy and Innovation
Some convergence in LIP and LIG

Percentage point change in the EU-wide low income proportion and the EU-wide low income gap ratio

40% threshold LIP

60% threshold LIP

40% threshold LIG

60% threshold LIG
Results

The diversifying composition of the LIG
Trends dominated by Poland?

Absolute contribution to overall change in the EU-wide LIP

Threshold set at 60% of the EU-wide median income
Trends dominated by Poland?

Absolute contribution to overall change in the EU-wide LIG

Threshold set at 40% of the EU-wide median income

- POL
- RO
- BG
- SK
- HU
- UK
- LT
- CZ
- IE
- FR
- PT
- DE
- EL
- ES
- IT

2008-2010
2010-2012
2012-2014
2008-2014
Trade-off between social cohesion and social inclusion?

p.p. change in the low income proportion

40% threshold

60% threshold

Linear prediction incl. EL

Linear prediction not incl. EL
• EU-wide perspective is relevant, and reveals substantial low-income dynamics concealed by national perspective

• Overall decrease in EU-wide LIG and LIP, but stagnation since EU-SILC 2010

• Underscore relative improvements in Poland, Slovakia, and Bulgaria, as well as the in deterioration of living standards Greece, Spain and Italy

• Bottom of EU-wide distribution much less dominated by New Member States PL and RO => diversification

• No country succeeded in substantially reducing the EU-wide low-income proportion while also substantially reducing the at-risk-of-poverty rate
Conclusion

• Collapse of the European ‘convergence machine’?

• Need of ‘true’ solidarity across borders to achieve both social inclusion and social cohesion?

• Need of dual perspective on solidarity: national and pan-European & methods to empirically support this perspective

• EU-wide LIP and LIG are helpful to this end