

Poverty Dynamics of Social Risk Groups in the EU: An analysis of the EU Statistics on Income and Living Conditions, 2005 to 2014

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This research briefing summarises the findings from a report examining changes over the period 2005 to 2014 in the trends and dynamics in poverty for selected European countries. It looks at trends across social risk groups such as lone parents, people with a disability and young adults.

The comparative analysis allows us to assess the significance of different systems of social and employment protection (welfare regime: Social Democratic, Corporatist, Liberal and Southern) and their effectiveness in protecting vulnerable groups in countries affected to very different degrees by the recession. The report considers income poverty as well as material deprivation, but we will focus on material deprivation in this research briefing.

The report is an output of the Department of Employment Affairs and Social Protection and the Economic and Social Research Institute research programme on monitoring poverty trends.

Main findings

- Lone parents and working-age adults with disabilities stand out as having higher poverty risks. Across eleven countries and three periods, 43% of lone parents and 28% of working-age adults with a disability experienced material deprivation in at least one of two consecutive years compared to 13% for other adults aged 30 to 65.
- These two vulnerable groups were also more likely to stay in poverty for at least two years.
- The social risk gap is the difference in poverty rate between the two vulnerable groups (lone parents and those with a disability) and other working-age adults. The social risk gap in material deprivation tended to be larger in Liberal countries like Ireland and the UK than elsewhere. For instance, the persistent deprivation gap for lone parents was 26 percentage points in Ireland and 23 percentage points in the UK compared to an average of 16 percentage points in the other countries.
- There was an increase in material deprivation between 2005 and 2014 for all social risk groups except older adults, where the rate remained relatively stable.
- We asked whether the recession resulted in polarisation, where the gap between the vulnerable and advantaged groups increased. There was no overall evidence of polarisation in material deprivation, however.
- The countries differed in this respect, however. In the two Liberal countries, the UK and Ireland, there was evidence of polarisation in material deprivation, particularly for persistent deprivation. In Ireland, for instance, the gap in persistent deprivation between lone parents and the reference group of other adults aged 30 to 65 increased by 12 percentage points between 2005 and 2014.



Introduction

The Department of Employment Affairs and Social Protection is responsible for monitoring poverty trends to inform social inclusion policies. This report examines patterns in poverty over time and across social risk groups in Ireland compared to ten other European countries. The analysis focuses mainly on the situation of two vulnerable groups (lone parents and people with a disability) compared to other adults aged 30 to 65.

Data and definitions

The report draws on data from the European Union Statistics on Income and Living Conditions (EU-SILC) and uses two measures of poverty (using the EU definitions, see **Box 1**) over the period 2005 to 2014. EU-SILC provides annual data on household income and living standards across Europe. In Ireland, the data is collected through an annual survey conducted by the Central Statistics Office.

We are able to use the SILC data to compare the poverty situation of individuals across two consecutive years to identify those who are poor in both years. We consider eleven countries across four types of welfare regime:

- The Social Democratic regime emphasises universalism and redistribution with generous social welfare and unemployment benefits (Sweden, Finland and the Netherlands).
- The Corporatist regime places less emphasis on redistribution with entitlements linked to employment history (Austria, Belgium, France).
- The Liberal regime emphasises provision through the market with the state acting only where the market fails (Ireland and the UK).
- The Southern regime emphasises family as the provider of welfare with labour market policies relatively undeveloped and selective (Italy, Spain and Greece).

Box 1: Income Poverty and Material deprivation

Income poverty: People are regarded as being income poor if their equivalised income is below 60% of the median income. Equivalised income is disposable income adjusted for household size and composition.

Note that the indicator of income poverty in the EU is slightly different from the Irish national indicator of income poverty, mainly in making less of an allowance for the living costs of children under age 14.

Material deprivation: We use the EU definition of material deprivation. This measure captures individuals who are cannot afford at least 3 or more of 9 basic goods and services.

The goods and services are: an annual holiday, meeting unexpected expenses, avoiding arrears on household bills, a protein meal every second day, adequate heating of the dwelling, durable goods like a washing machine, colour television, telephone or car.

The EU definition of material deprivation also differs from the Irish national indicator of basic deprivation (which involves inability to afford two or more of eleven basic goods and services), though the two are correlated.

Persistent poverty and deprivation: As well as looking at material deprivation and poverty at a point in time, EU-SILC allows us to ask whether these states are present in just one year or persist over time. In this report, we examine whether income poverty and deprivation persist across two consecutive years.

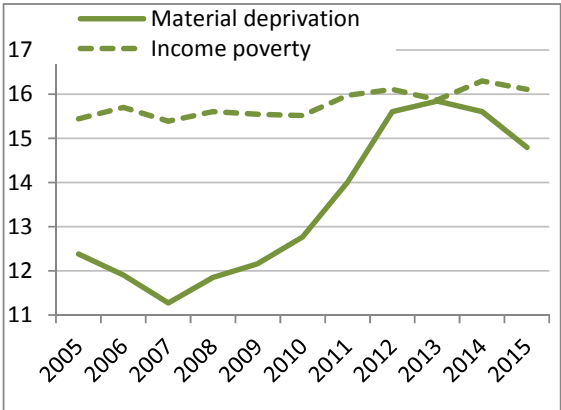
Section 1: Material Deprivation and Income Poverty Trends and Dynamics

Trends over time

Figure 1 shows the trends in material deprivation and income poverty over time, on average, across the eleven countries.

Material deprivation clearly increased sharply with the recession, beginning after 2007, but income poverty did not rise so much. This is because income poverty is measured against median incomes and these incomes were falling in the recession. As a result, in a period of rapidly shifting incomes, the measure of material deprivation tended to better capture the changing circumstances of households.

Figure 1: Material deprivation and Income poverty trends, 2005 to 2015.



Source: Eurostat EU-SILC cross-sectional statistics <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database> ([ilc_SIP03], [ilc_li02]).

Dynamics

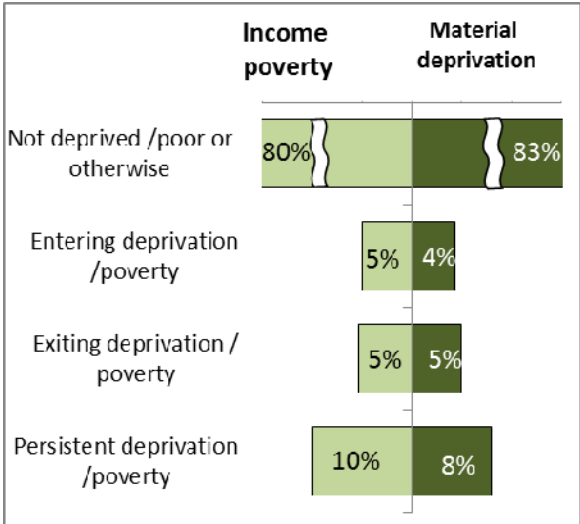
Research that follows the same individuals and families over time has established that poverty is an experience of varying duration. The distinction between persistent and transient poverty is important because the two have very different implications for policy: it matters whether many people experience poverty but quickly escape from it or poverty is a persistent or long-term phenomenon. The consequences of persistent poverty tend to be more damaging than the effects of being poor for a short period.

Since the EU-SILC follows the same people over time, we were able to ask to what extent those who are materially deprived or income poor in one year were in the same situation a year later. We focused on persistence or change over only

two consecutive years for two reasons. First, because people tended to drop out of the study over time, focusing on two years yielded a larger number of cases than focusing on four years (the maximum available for most countries). Second, those who dropped out of the study over time tended to be different from those who remained. Limiting the analysis to two years minimised the potential bias that might have resulted.

Figure 2 shows the extent of movement into and out of poverty across the eleven countries, on average over the period from 2005 and 2014. Taking any pair of consecutive years, most people did not experience material deprivation (83%) or income poverty (80%) in either year.

Figure 2: Deprivation and Poverty Dynamics over two consecutive years



Source: EU-SILC longitudinal data 2005 to 2015.

Roughly one in ten was income poor in both years (10%) with a slightly lower proportion materially deprived in both years (8%). Because the period included economic growth, recession and recovery, the proportion of people moving into poverty between years and the proportion moving out between years was roughly balanced (about 4-5 per cent moving in and moving out according to both indicators).

Of those deprived in either year (17%), about half (8%) were deprived in both years. Of those income poor in either year, about half were poor in both years.

Section 2: Differences between Social Risk Groups

We asked whether the same social risk groups were the most vulnerable to material deprivation and income poverty in all eleven countries. **Box 2** defines the understanding of social risk groups used in the study.

Box 2: Social risk groups

Social risk groups: In modern welfare states, most people meet their needs through the market – usually through their own work or that of their families. Social risk groups are those who have different levels of difficulty in achieving a satisfactory living standard because of specific barriers to labour market participation.

The groups examined here are:

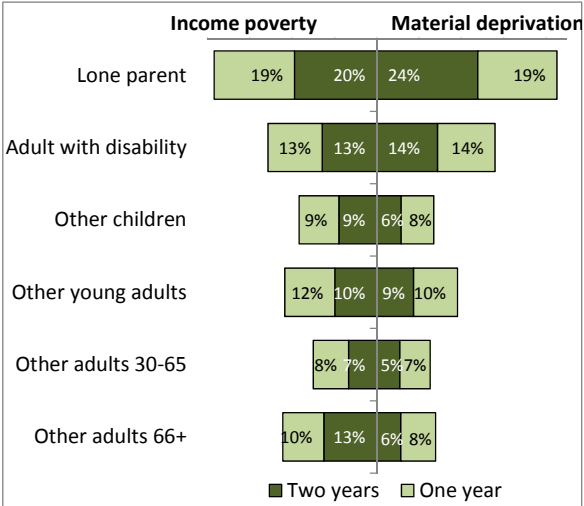
- lone parents and their children
- working-age adults with a disability and their children
- other children
- young adults (age 18-29)
- other working-age adults (age 30-65)
- older people (aged 66 and over).

The barriers are linked to the challenge of combining work and sole-caring responsibilities, personal capacity, or are linked to life-course stages (children are expected to be in full-time education; young adults face the challenge of making the transition into work and older people are expected to retire from work).

The eleven countries differ in the sizes of these social risk groups. In Ireland, for instance, lone parents and their children account for a higher percentage of the population (about 9%) than in most other countries (about 5% on average). Ireland also has a smaller proportion of adults aged 66 and over (11 per cent compared to 16 per cent on average across the countries).

Two social risk groups stand out as having the highest rates of poverty across countries, as shown in Figure 3. The figure shows the percentage of each social risk group experiencing material deprivation or income poverty in either of two consecutive years. The material deprivation rate for lone parents and for working-age adults with a disability is considerably higher than the rate for other working-age adults.

Figure 3: Deprivation and Poverty by Social Risk Group



Source: EU-SILC 2005 to 2015

We see the same pattern for persistent deprivation– being deprived for two consecutive years. The rates were higher for lone parents and working-age adults with a disability than for the other social risk groups.

The same is true of income poverty, though the difference between adults with a disability and the other social risk groups is not as strong.

We see the same pattern across all eleven countries, with lone parents and working-age adults with a disability – and their respective families – having the highest rates of material deprivation and income poverty.

Another interesting point is that lone parents and adults with a disability are also more likely to experience deprivation for longer: they are more likely to be deprived in both years than in just one year.

Section 3: Country Differences

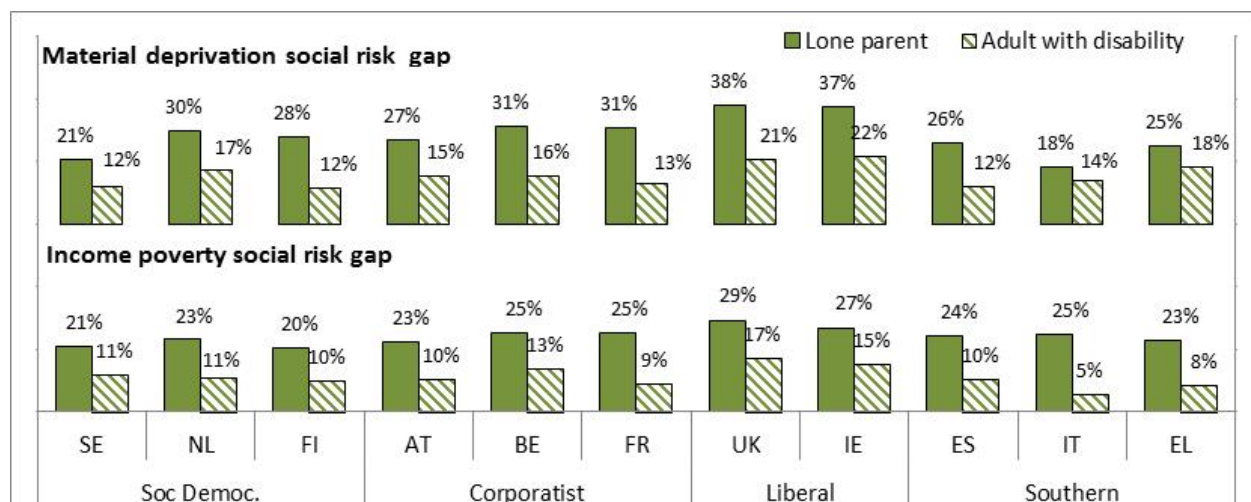
The gap between the vulnerable groups and the reference group of other working-age adults tended to be larger in the two Liberal countries – Ireland and the UK. This was especially true of persistent material deprivation.

In Ireland, for instance, the deprivation rate for lone parents is 37 percentage points higher and the rate of adults with a disability is 22 percentage points higher than for the reference group.

Figure 4 shows the social risk gap in deprivation and poverty: how much higher the deprivation and poverty rates were for lone parents and adults with a disability than the reference group (other adults aged 30-65).

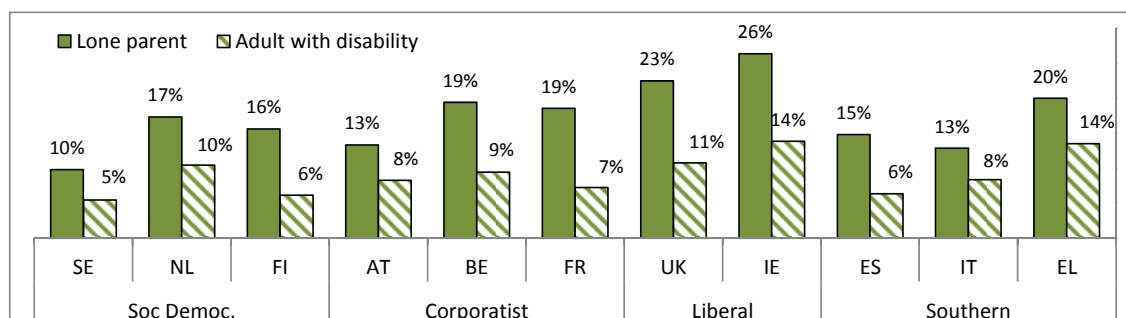
The gap tends to be greater in Ireland and the UK than in the other countries. This is even more noticeable if we focus on persistent material deprivation, as shown in Figure 5.

Figure 4: Social risk gaps in deprivation and poverty (in either year) by country



Source: EU-SILC 2005 to 2015. Figure shows how much higher the rates of being materially deprived and income poor in either of two consecutive years are for lone parents and adults with a disability than for other adults aged 30-65.

Figure 5: Social risk gap in persistent deprivation by country



Source: EU-SILC 2005 to 2015. Figure shows how much higher the rates of being persistently materially deprived and income poor in either of two consecutive years are for lone parents and adults with a disability than for other adults aged 30-65.

Section 4: Polarisation or convergence over time?

On average across the eleven countries, material deprivation increased between 2005 and 2014 for all but one social risk group. The exception was older adults, where the rate remained relatively stable.

We might expect the recession to widen the gap between the vulnerable groups (like lone parents and adults with a disability) and others. This is because it would increase the competition for scarce jobs so that those facing additional barriers would fall even farther behind.

To examine whether this was the case, we again focused on the social risk gap: the percentage point difference in deprivation and poverty between the reference group (other adults aged 30-65) and the vulnerable groups (lone parents and working-age adults with a disability). Was there evidence of a greater polarisation (an increase in the social risk gap for vulnerable groups) with the recession?

In looking at the change over time and across social risk groups, we can distinguish between polarisation and convergence.

Polarisation refers to a widening of the gap in deprivation and poverty rates between the vulnerable social risk groups (lone parents and adults with a disability) and the reference group (other working-age adults over age 30).

Convergence, on the other hand, refers to a narrowing of this gap.

Our results showed that there was no overall evidence of polarisation on average across the countries. There was some suggestion of an increase in the social risk gap in income poverty for lone parents, but not for working age adults with a disability. This pattern was not found for material deprivation.

There were differences in this respect between countries, however. There was evidence of polarisation in material deprivation in the two Liberal countries (the UK and Ireland), particularly for persistent deprivation.

This is shown in **Figure** . This figure shows the significant changes over time in the social risk gap for lone parents and adults with a disability. The changes that are not statistically significant are displayed as transparent bars.

The significant changes in the social risk gap for persistent poverty were an increase for lone parents and for working-age adults with a disability in the UK and Ireland (suggesting polarisation) and a reduction in the gap in Sweden for adults with a disability (suggesting convergence over time).

Figure 6: Change in Social Risk Gap in Persistent Deprivation between 2005 and 2014



Source: EU-SILC longitudinal data 2005-2015. The bars show the change over time in the gap between the persistent deprivation rates of the two vulnerable groups (lone parents and adults with a disability) and the reference group (other adults aged 30-65). * indicates statistically significant change over time in social risk gap. The transparent bars indicate that the change over time was not statistically significant.

The pattern was different for income poverty, as indicated by detailed analysis in the main report. There was some narrowing of the social risk gap in income poverty in the two Liberal countries, but this was not consistent as to group within country. The gap narrowed for lone parents in the UK and for adults with a disability in Ireland.

The outcomes can be different for income poverty and deprivation either because, as we saw earlier, shifts in overall incomes made income poverty less reliable than deprivation in capturing changes in circumstances with the recession or

because of differences between countries in the relative emphasis on cash transfers and provision of services. Where countries place a greater emphasis on cash transfers than on provision of services (as in the two liberal countries), the vulnerable groups look better off in terms of income poverty than in terms of material deprivation.

Therefore, the conclusions regarding whether the recession resulted in polarisation would differ depending on whether we focused on material deprivation or income poverty and depending on which countries we studied.

Section 5: Policy implications

This section considers the policy implications arising from the examination of material deprivation and income poverty dynamics across countries and over time. The approach taken here was to provide a general overview of how social risk groups fared across time and across eleven countries. The analysis does not lend itself to a detailed evaluation of the effectiveness of specific policies, but it does provide a number of general lessons for policy.

- The countries with more developed welfare states, such as the Social Democratic countries, were more effective at protecting the living standards of the population in general from the impact of the recession.
 - The same social risk groups emerged as being particularly vulnerable in all countries (especially lone parents and working-aged adults with a disability). While their circumstances were better if they lived in a Social Democratic country, the gap between their deprivation levels and those of other groups was about the same as in countries in the Corporatist regime. In other words, the universalist approach to welfare appears to protect the population in general, but without favouring the high-risk groups.
 - The Liberal countries, with their means-tested, targeted approach that emphasises cash transfers, did less well at protecting the living standards of vulnerable groups during the recession. The social risk gap in material deprivation was larger in these countries and increased over time.
 - Because of their emphasis on cash transfers, however, there is some mixed evidence of a narrowing of the social risk gap in the Liberal countries if we focus on income poverty. This is as likely to be due to the shifting poverty threshold, however, as any real change in the circumstances of vulnerable households.
 - Lone parenthood and working-age disability are important in accounting for the higher poverty rate among children than adults. This highlights the importance of paying attention to the needs of these families. Policies that focus on children in general may be less effective at reducing the child poverty than policies which address the needs of the most vulnerable families.
- An emphasis on whether there was a polarisation or convergence of social risk might lead to missing some important insights. Polarisation can hide a good news story if the circumstances of all families improve but the polarisation is due to a faster improvement for the initially advantaged group. Convergence can hide a worrying story if it is driven by a deterioration in the circumstances of the initially advantaged group with no real improvement for the vulnerable group.
 - Having robust measures of poverty is crucial for accurate monitoring of the impact of poverty reduction policies. In terms of poverty measurement, there are two points worth emphasising.
 1. The cross-sectional and longitudinal measures of poverty identify the same social risk groups as being most vulnerable to poverty. This is not an inevitable result: cross-sectional measures give equal weight to transient and persistent poverty. If there happened to be a group with very high levels of transient poverty, the cross-sectional measures would focus as much attention on this group as on a group with high levels of persistent poverty. Periodic checks on longitudinal data are needed to detect this.
 2. The findings reinforce the importance of having multiple indicators. In a period of rapid shifts in incomes, a direct measure of poverty (such as material deprivation) proved invaluable in tracing the changing circumstances of households over the recession.

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