The dynamics of deprivation in Luxembourg

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Abstract
The concept of deprivation has recently given rise to a great number of cross-sectional studies that (i) emphasized the complementarity between material deprivation and income-based poverty indicators and (ii) suggested a limited overlap between the population of income poor and the population of deprived individuals. Few papers made use of longitudinal data to analyze these questions – notable exceptions are Berthoud et al. (2004), Muffels and Fouarge (2004), Figari (2007) or Poggi (2007). In this paper, we first describe the dynamics of deprivation in Luxembourg to determine whether there is a persistence of deprivation over time in this country. We then analyse the socio-economic determinants of deprivation as well as the longitudinal relationship between income poverty and deprivation in Luxembourg. Following Figari (2007), this is done by the estimation of longitudinal random effect and fixed effects models in order to estimate the impact of current and lagged socio-economic characteristics and income on the status of deprivation. The data used are those from the Panel Socio-Economique Liewen zu Lëtzebuerg (PSELL-3) which started in 2003 and contains six waves. The paper is constructed as follows. After a brief review of the literature and a presentation of the theoretical background (Section 1), we will introduce the PSELL-3 data as well as the methodology used to measure deprivation in Luxembourg (Section 2). Descriptive statistics on the dynamics of deprivation in Luxembourg will be given in Section 3 and the longitudinal analysis of the determinants of deprivation in Luxembourg will be presented in section 4.

Key words: income poverty, deprivation, Luxembourg, panel data

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