

By How Much Do Social Transfers Reduce Material Deprivation in Europe?

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Since the adoption of the Europe 2020 social inclusion target, the population at risk of poverty or social exclusion has increased in size in a number of EU countries. There is therefore a growing need to better evaluate the role and effectiveness of the policies that are mobilised to combat income poverty and social exclusion in Europe. The EU assesses the impact of social transfers on income poverty by comparing the income poverty rate before and after social transfers. So far, no methodology has been developed to get an equivalent estimation of the impact of social transfers on material deprivation and, by extension, on the Europe 2020 social inclusion target.

To enable a comparison with income poverty, this paper will develop a parallel approach to simulate the effects of transfers on material deprivation, using the most recent cross-sectional wave of EU-SILC. This will build on previous studies (Notten and Guio, 2016) by systematically comparing various multivariate regression techniques to estimate (the number of) pre-transfer material deprivation(s). The paper will estimate by how much a cash transfer reduces material deprivation controlling for other factors influencing it. The resulting income elasticity will then be used to simulate a household's pre-transfer level of material deprivation. As the estimation of the income elasticity is central to the simulation strategy, alternative specifications of the model will be tested and various robustness checks will be performed in order to test the sensitivity of the results to the choice of specifications.

The final aim of this paper is to present the effects of social transfers on the number of deprivation items lacked using the new indicator of material and social deprivation agreed at the EU level in 2017 (see Guio et al., 2017). These will also be the first time that the effects are estimated for all 28 EU member states. Social transfers are disaggregated into old age pensions and survivor benefits, social insurance, and the remaining category of family, housing and social assistance transfers. We also argue that the methodology proposed to assess the effect of social transfers on material and social deprivation could also be used to estimate their impact on other social indicators such as housing deprivation or well-being.

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