

Mobility Into and Out of Poverty in Europe in the 1990s and the Pre-Crisis Period: The Role of Income, Demographic and Labour Market Events

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Paper Abstract:

In this paper, we analyze poverty dynamics in Europe for the period 1994-2001 using the European Community Household Panel (ECHP) and for the period 2005-2008 using the European Union Statistics on Income and Living Conditions (EU-SILC). The study first focuses on poverty profiles which depict the poverty duration, recurrence and persistence and then on the trigger events (income, demographic, labour market) associated with movements into and out of poverty, using a modified version of the Bane and Ellwood (1986) framework of event analysis. Multivariate logit analysis is employed at a second step in order to identify the socioeconomic factors that affect the transitions into and out of poverty. Cross-country differences, as well as differences in poverty dynamic trends between the two periods, are examined. Poverty profiles show a consistency with the welfare regime typology during the period 1994-2001, but the results are not entirely clear in the pre-crisis period. Moreover, the results show that new Member-States cannot be clustered into one group. The results differ significantly across countries when the events associated with poverty exits and entries are examined in detail with the event and multivariate logit analysis, reflecting the different importance of the various household income components, as well as the different effect that the demographic changes have to transitions into and out of poverty in each country. The general patterns that can be observed are five: a) In both periods, income events and especially changes in head's labor earnings seem to be highly associated with poverty transitions in all countries, but more so in the Mediterranean countries, while demographic events seem to be relatively more important in Northern countries; b) Employment events are more important for ending a poverty spell than unemployment events for starting a poverty spell; c) The importance of second income earners (finding a job or increasing earnings) for bringing the household out of poverty was established in both periods; d) The demographic events have a stronger effect in the EU-SILC than the ECHP for poverty entries and weaker for poverty exits; e) The socioeconomic characteristics of the household and the household head present a rather similar patterns across countries in both periods examined.