Poverty Measurement, Economic Vulnerability & Reference Groups in the EU

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Introduction

- Effect of Welfare regime/socio-economic characteristics on poverty indicators
- EU definition of ‘at risk of poverty’
- Consequences of EU enlargement => relevance of current poverty indicators
- EU wide measure?
- Limits of low income as indicator of poverty
The Welfare Regimes

- The social democratic regime: universalism, employment flexibility, generous social welfare
- The corporatist regime: less redistributive, insurance reliance based on life long employment
- The liberal regime: social benefits/mean tests
- The southern European regime: family support, uneven/minimalist benefit system
- The post socialist-corporatist regime: low levels of spending, weak social rights
- The post socialist-liberal regime: more flexible labour market
Data and Measures

- EU-SILC 2006, 26 countries
- Income measure, household equivalised income
- National and EU poverty’ & deprivation measures
- Deprivation measure: 7 item index
- National consistent poverty (NCP)
- EU consistent poverty (EUCP)
- Mixed level consistent poverty (MLCP)
Consumption Deprivation Measure

- One week annual holiday away from home
- Inability to face unexpected financial expenses
- Meal with meat, chicken, fish (or vegetarian) every second day
- Car
- Keep home adequately warm
- PC
- Arrears relating to mortgage payments, rent
National and EU ‘at Risk of Poverty’ (ARP) and Consistent Poverty (CP) Rates by Country
NARP by PES & Welfare Regime

- Reference point or benchmark is those in employment in the Social Democratic Regime

- Social differentiation weakest in social democratic strongest in liberal

- Levels increase as we go from employment to unemployment

- Variation across welfare regimes weak for those in employment much stronger for unemployed – interaction of regime and status

- Welfare regime differences - counterintuitive
National ‘At Risk of Poverty’ by Welfare Regime and HRP PES (odds ratios relative to full-time employed HRPs in the social democratic regime)
MCP by PES & Welfare Regime

- Same reference point or benchmark
- PES differentials much sharper in all regimes
- Highest risk of poverty now in post-socialist regimes – welfare regime variation plausible
- PES variation also consistent with expectations
- The MCP as well as identifying a minority as poor in each regime and producing plausible variation across regimes also reveal patterns of socio-economic differentiation within & between regimes consistent with expectations
Mixed Consistent Poverty by HRP PES and Welfare Regime (odds ratios relative to full-time employed HRP s in the social democratic regime)
The Impact of Poverty on Economic Stress by Type of Indicator within Welfare Regime (Odds ratios relative to reference category of non-poor within each regime)
From Poverty to Economic Vulnerability

- Measurement of social exclusion as “a set of interrelated risks”

- Elements include at risk of income poverty, consumption deprivation and subjective economic stress

- Theoretical expectations for welfare regime & social class variation
Economic Vulnerability

- Distinctive risk profiles for income poverty, deprivation and economic stress

- Examine levels of vulnerability & profiles

- Compare welfare regime and social class levels & differentials for income poverty and economic vulnerability
Vulnerability to Economic Exclusion

![Graph showing the vulnerability to economic exclusion across different social democratic, corporatist, liberal, southern European, post-socialist conservative, and post-socialist liberal settings. The graph includes lines for NV 60% line, V 60% line, NV deprivation, V deprivation, NV economic stress, and V economic stress.]
Economic Vulnerability Level and Mean ‘at Risk of Poverty’ Rates by Welfare Regime

- Social Democratic
- Corporatist
- Liberal
- Southern European
- Post-socialist Corporatist
- Post-socialist Liberal

Vulnerable class
Mean National "at risk of poverty" rate
The European Socio-economic Classification (ESeC)

- Large employers, higher grade professional, administrative & managerial occupations: “the higher salariat” (ESeC Class 1)

- Lower grade professional, administrative & managerial occupations: “the lower salariat” (ESeC Class 2)

- Intermediate occupations and lower supervisory & technician occupations ‘higher grade white & blue collar’ (ESeC Classes 3 & 6)

- Small employer and self employed non-professional occupations: ‘petit bourgeoise’ (ESeC Class 4)

- Farmers (ESeC Class 5)

- Lower services, sales & clerical occupations & lower technical occupations – ‘lower white collar & skilled manual’ (ESeC Classes 7 & 8)

- Routine occupations – ‘semi-unskilled manual’ (ESeC Class 9)
Mean Level of “at Risk of Poverty” by ESeC by Welfare Regime

- Social Democratic
- Corporatist
- Liberal
- Southern European
- Post-Socialist Corporatist
- Post-Socialist Liberal

- Higher Salariat (1)
- Lower Salariat (2)
- Higher Grade White Collar & Lower Supervisory (3 & 6)
- Farmers (5)
- Petit Bourgeois (4)
- Lower services, sales, clerical & technical (7,8)
- Semi-Unskilled Manual (9)
Level of Economic Vulnerability by ESeC by Welfare Regime
Consumption Deprivation Coefficient by Country and Welfare Regime
Magnitude of Deprivation Coefficient by Mean Level of Deprivation by Country

Pearson Corr of Log of Mean Level of Deprivation = 0.896
Conclusions (i)

- Merits of Poverty indicators
- Welfare regime & socio economic variation
- European measures - regime differences dwarf PES differences
- NARP: Counterintuitive WR differences

MCP – regime patterns more plausible – highest levels for excluded in PSL, PSC & Liberal

MCP provides much sharper discrimination for economic stress
Conclusions (ii)

• “heightened risk for multiple outcomes” v simultaneous multiple deprivation

• Welfare regime & class variation in levels of economic vulnerability

• Deprivation key differentiating factor

• Levels of deprivation higher in less comprehensive & generous regimes but polarisation less sharp

• Consistent with reference groups results

• Implications for Europeanization of reference groups
Conclusions (ii)

- No single indicator likely to capture diversity of experience in an enlarged EU

- Challenge to translate the conceptually compelling argument for multidimensionality into appropriate indicators