Multi-dimensional poverty in the EU

Social Situation Monitor
Research Seminar

Monday 12 March 2018
9:00 – 17:00

Crowne Plaza Hotel
Ground floor
Rue Gineste 3
1210 Brussels
Belgium

Employment,
Social Affairs
and Inclusion

Table of Contents

This version: 20 February 2018

Source cover photo:
Pixabay.com

About the seminar

The Social Situation Monitor

Each year the Social Situation Monitor (SSM):
• Carries out policy-relevant analysis and research on the current socio-economic situation in the EU on the basis of the most recent available data;
• Examines major issues which are features of the situation or affect it with the aim of providing evidence on which to base policy-making across the EU.

This initiative is directed by the London School of Economics (LSE), in consortium with ICF, on behalf of the European Commission. The team is led by the Academic Director, Dr. Bob Hancké from LSE, and the Project Director, Dr. Simona Milio from ICF. The team is composed of renowned academics and researchers from the consortium organisations reflecting a wide range of expertise.

More information can be found at:

http://ec.europa.eu/social/main.jsp?catId=1049&

The SSM seminar series

SSM seminars are research seminars. Their aim is to provide a forum to discuss the theoretical, methodological and policy implications of the latest economic and social research. More specifically, SSM seminars aim to inform:
• The economic and social analysis of the European Commission in general, and the Commission's *Employment and Social Developments in Europe* review in particular*.
• The economic and social analysis of the European Commission's stakeholders.
• The economic and social policies of the European Commission and its stakeholders.

SSM seminars are primarily intended to:
• Economists and analysts working in policy-making organisations;
• Academic researchers;
• Policy officers with an interest in economic and social analysis.

(*) The *Employment and Social Developments in Europe* reviews can be found in the European Commission's publications catalogue:

http://ec.europa.eu/social/main.jsp?catId=1285&langId=en

Seminar agenda

08:00 – 09:00	**Registration and coffee**
09:00 – 09:10	Welcome words By Barbara Kauffmann (European Commission)
09:10 – 09:20	Introduction to the seminar By Bob Hancké (LSE)
09:20 – 10:00	*Revising the EU material deprivation variables* By Anne-Catherine Guio (LISER)
10:00 – 10:40	*Intra-household inequality and poverty and material deprivation in the EU* By Eleni Karagiannaki (LSE)
10:40 – 11:00	**Coffee break**
11:00 – 11:20	*Financial resilience* By Abigail McKnight (LSE)
11:20 – 12:00	*Asset-based poverty: Insights from the OECD Wealth Distribution Database* By Carlotta Balestra (OECD)
12:00 – 12:40	*Estimation of Joint Income-Wealth Poverty: A Sensitivity Analysis* By Sarah Kuypers (University of Antwerp)
12:40 – 13:40	**Walking Lunch**
13:40 – 14:20	*Identifying the poor. Sensitivity and characteristics of household selection based on income and consumption* By Maximilian Sommer (Catholic University Eichstätt-Ingolstadt)
14:20 – 15:00	*Results from EU-SILC Longitudinal analysis: Medium term effects of LM exclusion and insecurity on material and financial situation of youth* By Magdalena Rokicka (Educational Research Institute)

15:00 – 15:20 **Coffee break**

15:20 – 16:00 *Objective and subjective measures of poverty: A pan-European comparison of patterns and determinants*
By Dirk Hofäcker (University of Duisburg-Essen)

16:00 – 16:40 *Multidimensional deprivation among adolescents in 39 countries: Evidence from the Health Behaviour in School-Aged Children (HBSC) 2013/14 study.*
By Frank J. Elgar (McGill University)

16:40 – 16:50 Concluding remarks
By Loukas Stemitsiotis (European Commission)

Speakers & abstracts

Revising the EU material deprivation variables

Speaker	Anne-Catherine Guio Luxembourg Institute of Socio-Economic Research (LISER)
Bio	Anne-Catherine Guio is an economist, with a solid background in statistics and comparative (EU) data analysis. Since 2012, she is a senior researcher at the Luxembourg Institute of Socio-Economic Research (LISER) and is, among other things, strongly involved in the EU-funded "Network for the analysis of EU-SILC" (Net-SILC). She was Vice-chair of the EU "Ad hoc Group on Efficiency and Effectiveness of Social Spending and Financing Arrangements" (2013-2015). Before joining LISER, she was with the "Walloon Institute for evaluation, statistics and prospective" (IWEPS: 1996-2012). Between 2002 and 2006, she was seconded to Eurostat as a national expert where she was inter alia in charge of the 12 EU acceding countries. Her main research focuses on material deprivation, income distribution, poverty and social exclusion. She is also very active in EU research on child poverty and well-being, as well as policy-oriented research. She has published extensively in these fields.
Abstract	In March 2017, the European Union (EU) adopted a new indicator of "material and social deprivation". This measure was developed by Guio et al (2012) and covers the entire population of the 28 EU Member States. It includes 13

deprivation items and replaces the 9-item "standard" material deprivation index adopted in 2009, by the then 27 EU countries and the European Commission, to monitor progress in the fight against poverty and social exclusion at national and EU level. Drawing on the methodology developed in the context of the 1999 "Poverty and Social Exclusion in the UK Survey", Guio, Gordon and Marlier (2012) proposed an analytical framework for producing a suitable, valid, reliable and additive deprivation measure for the EU. Their recommendations were based on analyses of the 2009 EU-SILC material deprivation module. This report extends these analyses using the 2014 EU-SILC data and demonstrates that the composition of the new material and social deprivation indicator remains optimal over a five-year period of considerable socio-economic change.

Intra-household inequality and poverty and material deprivation in the EU

Speaker	Eleni Karagiannaki London School of Economics and Political Science
Bio	Eleni Karagiannaki is a Research Fellow at the Centre for Analysis of Social Exclusion at the London School of Economics and Political Science. Her research focuses on poverty, inequality and intergenerational transfers (monetary and non-monetary) as well as on areas that fall in the intersection of these topics.
Abstract	In most research on living standards, income is measured at household level and equivalised on the assumption that income is pooled and shared to the equal benefit of all household members. Material deprivation is also usually measured at a household level. However, if resources are not shared equally within households, household income and material deprivation indicators may mask important variations in individual living standards. This research is using micro-data from the European Union Statistics on Incomes and Living Conditions (EU-SILC) to examine the sensitivity of income poverty and material deprivation estimates across European countries to different

assumptions about the intra-household sharing of resources and to identify the groups of people for whom intra-household inequality may have the largest impact. The first part of the project makes use of individual-level deprivation data included in the 2014 European Union Statistics on Incomes and Living Conditions (EU-SILC) ad-hoc module on material deprivation and focus on the implications of intra-household inequality on material deprivation measurement. The second part of the research focuses on the implications of different assumptions about intra-household inequality on income poverty estimates. Based on information included in the 2014 ad hoc EU SILC module we construct an index of adult deprivation based on information about enforced lack of personal deprivation items and we compare it to the conventional EU material deprivation index which is based on enforced lack of household level deprivation items. This comparison allows us to examine the sensitivity of material deprivation estimates to using individual level rather than household level deprivation indicators – both in terms of country rankings and in terms of the characteristics of adults identified as deprived.

Our results suggest some differences between two indicators both in terms of the groups identified at high deprivation risk and in terms of country rankings. Regression results also suggest that individuals who contribute a lower proportion of total household income are at significantly higher risk of material deprivation in terms of the personal deprivation indicator. This suggests that households are not pooling and sharing their resources to the equal benefit of all members and that intra-household inequality have important effect on material deprivation. Relaxing the equal sharing assumption also has important effects on the poverty estimates.

Financial resilience

Speaker	Abigail McKnight London School of Economics and Political Science
Bio	Abigail McKnight is an Associate Professorial Research Fellow and Associate Director of the Centre for Analysis of Social Exclusion at LSE where she has worked since 1999. Her research interests include inequality, poverty, wealth, social

mobility and employment policy.

Abstract	The analysis of poverty and financial security has mainly focused on the analysis of household income. However, the role savings and financial debts play is just as important. In this research project we will use data from the Luxembourg Wealth Study and the European Household Finance and Consumption Survey to assess the financial resilience of households across European countries based on asset-holding and debts. In particular we will explore the extent to which households are asset-poor (using a variety of definitions) or over-indebted, leaving them vulnerable to income shocks. We will review the range of asset-based welfare policies designed to help lower-income families accumulate savings and consider which policies appear to be the most effective in boosting households' financial resilience.

Asset-based poverty: Insights from the OECD Wealth Distribution Database

Speaker	Carlotta Balestra OECD
Bio	Carlotta Balestra is a Policy Analyst/Economist at the OECD Statistics Directorate. In this role she contributes to the analytical and statistical work behind the OECD Better Life Initiative, including the Better Life Index and the report *How's Life? Measuring Well-Being*. She also contributes to the update of several OECD databases, including the Income Distribution Database and the OECD Gender Data Portal, and she is responsible for the maintenance and update of the OECD Wealth Distribution Database. In 2015 she contributed to the development OECD web-tool "Compare your Income", which allows to assess people's perceptions of income inequality. She is currently contributing to the work of the Eurostat/OECD Expert Group on measuring the joint distribution of household income, consumption and wealth at micro level. She holds a PhD in Computational Methods for Economics and Finance and a PhD in Economics from the Catholic University of Louvain.
Abstract	Broadening the income concept used in poverty analysis by taking into account other dimensions than income can help

derive a more comprehensive picture of the prevalence of low material living standards in society. For instance, the joint analysis of income and wealth allows exploring the correspondence between households' current income and their vulnerability to income shocks. In the context of the 2nd round of the OECD data collection on the distribution of household wealth, the OECD has collected information on asset-based poverty, which provides comparable evidence on the adequacy of individuals' wealth buffers against major economic shocks. This paper presents evidence on the extent of asset-based poverty in the OECD area, and shows how it affects different population groups defined by age, educational attainment, household structure, etc. The paper also discusses some of the methodological challenges faced when deriving measures of asset-based poverty, and assesses how these metrics are sensitive to different asset poverty thresholds, and to the wealth and income concepts used.

Estimation of Joint Income-Wealth Poverty: A Sensitivity Analysis

Speaker	Sarah Kuypers University of Antwerp
Bio	Sarah Kuypers is a PhD student affiliated with the Herman Deleeck Centre for Social Policy of the University of Antwerp. She is finalising her PhD that looks at how wealth and income are correlated, how information on wealth can be integrated in the measurement of poverty, and more generally living standards, and how the results of this can influence policy design. She has published in Social Indicators Research and the International Journal of Microsimulation and has co-authored a chapter on the Belgian middle class in the volume *Trends in the world of work: What effects on inequalities and middle-income groups?* edited by the ILO.
Abstract	Most poverty studies build on measures that take account of recurring incomes from sources such as labour or social transfers. However, other financial resources such as savings and assets also affect living standards, often in very significant ways. Previous studies that have sought to incorporate assets into poverty measures agree that (1)

poverty estimates including wealth are considerably lower than the traditional income-based measures; (2) poverty rates of the elderly are more affected than those of the non-elderly and (3) poverty rates are especially affected by the household's main residence.

This paper assesses the sensitivity of these conclusions to various plausible alternative assumptions, such as the poverty line calculation, the types of assets included in the wealth concept and choices with respect to the equivalence scale. Moreover, we check whether the impact of alternative assumptions is consistent across age and institutional settings. To that effect we compare Belgium and Germany, two countries with similar living standards and income poverty rates, but very different levels and distributions of wealth. Using data from the Eurosystem Household Finance and Consumption Survey we show that accounting for wealth affects the incidence and age structure of poverty in a very substantial way. However, we also illustrate that results strongly depend on all kinds of measurement choices.

We show that poverty rates may increase as well as decrease depending on how wealth is accounted for. Cross-country rankings may also change, overall or for specific groups. Second, current measures are not representative for young households such that any conclusion on the age ratio of poverty is highly sensitive to the assumptions made.

Identifying the poor. Sensitivity and characteristics of household selection based on income and consumption data

Speaker	Maximilian Sommer Catholic University Eichstätt-Ingolstadt
Bio	My name is Maximilian Sommer. At the moment I am assistant professor at the chair of economic ethics and social policy at the Ingolstadt School of Management of the Catholic University Eichstaett-Ingolstadt in Germany. I received my PhD in economics in 2016 from the same institution. My PhD Thesis was titled "A feasible Basic Income Scheme for

Germany: Effects on Labor Supply, Poverty, and Income Inequality" which was published by Springer. The focus of my research is quantitative poverty and inequality research in connection with changes in tax-transfer scheme as well as labor market effects. I mostly use microsimulation approaches to answer these kind of questions. I have been a visiting researcher at LISER, Luxemburg, in 2016 and at the LIBA college, India, in 2014. Teaching includes classes of labor economics, game theory, and poverty and inequality research.

Abstract   Poverty is still an ongoing discussion in the industrialized world. Although extreme poverty has been drastically reduced, the relative approach to poverty reveals high rates of households that are socially excluded due to their lack of available resources. Nevertheless, the identification and quantification of those households is still under review as many different concepts and dimensions of poverty can be used for calculation. In recent years poverty has been analyzed more from a multidimensional perspective and influenced by the capability approach. The EU uses mostly the "at risk of poverty or social exclusion" (AROPE) indicator to compare poverty rates between European countries. While this measure combines income data with material deprivation and low-work intensity,most of the available consumption data is not taken into consideration. Even with the multidimensional approach, the problem is that most of these indicators are based on a normative fixing of thresholds, e.g. 60% of the equivalized household income or twice the median of the energy-consumption ratio regarding fuel poverty. The question remains to what degree different poverty indicators identify the same households as being poor.

In our paper we analyze the poverty risk of households based on income and on variations of consumption data. In a first step we keep the methodology constant only changing the underlying variable. We are especially interested in the differences in socio-economic characteristics between the different groups of identified households. As we focus on the time frame between 2003 and 2013 we can also analyze the effects on changes in the consumption pattern and in the structure of society on poverty rates. Furthermore, we study the sensitivity of changes in the relative poverty methodology with respect to the underlying data.

We use the latest three waves of the Income and Expenditure

Survey of Germany of the years 2003/2008/2013 as database. This is an official representative household survey which contains around 50,000 observations per wave. As participants are asked to write down consumption expenditure for three months, this data set allows detailed insights in consumption patterns over time. We use economic microsimulations to analyze the effect of changes in society on poverty and inequality.

First findings indicate that the marking of a household as being poor is highly conditional on the underlying variables. This is even true for different sets of consumptions data. Nevertheless, the direct measurement of poverty is less affected by minor changes in the underlying methodology. The problem however remains that characteristics of poor households differ with changes in the analyzed variables so that the identification of poor households is based on a normative setting.

Results from EU-SILC Longitudinal analysis: Medium term effects of LM exclusion and insecurity on material and financial situation of youth

Speaker	Magdalena Rokicka Educational Research Institute
Bio	Magdalena Rokicka is an economist (PhD, University of Essex) and assistant professor at the Educational Research Institute (IBE). Her research interests include: applied micro-econometric analysis labour market, migration, education and gender related issues. Currently she coordinates research conducted by Educational Research Institute within the Horizon2020 (Horizon 2020 research and innovation programme under grant agreement No 649496): 'Social Exclusion of Youth in Europe: Cumulative Disadvantage, Coping Strategies, Effective Policies and Transfer (Except).
Abstract	This paper focuses on material and financial consequences of labour market exclusion of youth in the EU. We apply a medium term perspective analyzing the effect of

unemployment of a young person on material and financial situation of his/ her household few years later, using a longitudinal EU-SILC data. We considered three different measures of financial situation: risk of poverty based on income, material deprivation, and subjective household financial distress operationalised by perceived difficulty to making ends meet. Our analysis confirms the detrimental effect of labour market exclusion on prospective material and financial situation of youth in all analyzed dimensions. However while personal unobserved characteristics are accounted for in the individual fixed effect models this negative relation remains mainly in case of a subjective measures of poverty, while being less pronounced in the objective one.

Objective and subjective measures of poverty: A pan-European comparison of patterns and determinants

Speaker	Dirk Hofäcker University of Duisburg-Essen
Bio	Dirk Hofäcker, Dr. rer.pol., is currently Professor for Methods of Quantitative Social Research at the Faculty of Educational Sciences (Institute for Social Work and Social Policy) at the University of Duisburg-Essen, Germany. From 2010 to 2013, Hofaecker was Senior Research Fellow at the Mannheim Center for European Social Research (MZES) at Mannheim University, where he still holds the status of an External Fellow. From 2012 to 2016, he has been heading a comparative research project on retirement decisions and its determinants, funded by the German Science Foundation. He is also work package leader in the EU Horizon 2020 Project "Social Exclusion of Youth in Europe: Cumulative Disadvantage, Coping Strategies, Effective Policies and Transfer (EXCEPT)", focusing on the socio-economic consequences of employment uncertainty for youth. Hofäcker has published on various topics in comparative life course sociology and welfare state research in national and international journals and monographs.

Abstract   Previous poverty research has focused mostly on measures of expert-based objective poverty – such as relative income poverty or deprivation - while measures of subjectively perceived poverty, e.g. based on the individual's perception of its own situation, frequently has received lesser attention. Yet, both measures may not necessarily coincide:individuals classified as poor from an objective viewpoint may not feel poor subjectively and vice versa.

In our paper, based on a comparison of EU countries, we contrast measures of objective (deprivation) and subjective poverty (satisfaction with own living standard) in order to investigate in how far these measures overlap and whether and where they show discrepancies. In a first step, we contrast the two indicators
at the aggregate national level, while in a second step, we investigate within-country discrepancies in objective/subjective poverty definition with regard to age, gender, education, housing status and employment contract. In doing so, we pay particular attention to the deviations between objective and subjective measures: Who is at risk of feeling poor subjectively even though from an objective perspective, he/she would not be classified as poor? And who does not develop a perception of subjective poverty despite living under conditions of poverty objectively?

Empirically, we draw back to data from three waves of the European Quality of Life Survey (EQLS), a representative household sample of EU member states dealing with a broad range of social and labour market issues. Beyond containing relevant indicators for objective/subjective poverty and its determinants, its trend design with waves in 2003, 2007/8 and 2010/11 allows to additionally investigate how the financial crisis in 2008 has impacted on poverty and its perception among the European population.

Our findings point to a number of relevant findings for poverty research. At the aggregate national level, even though the majority of the population classifies itself as poor or non-poor consistently, deviations amount to up to a quarter of the population. More detailed analyses show that deviations between the two measures not only occur at the aggregate level but also can be observed with regard to relevant determinants. While the objective incidence of poverty has increased throughout the economic crisis, the subjective

feeling of being poor effectively has declined. Results confirm positive effects of human capital for the prevention of both objective and subjective poverty. Similarly unique effects are observed for employment status: while unemployment, agency work and short-fixed term increase the risk of both objectively being and subjectively feeling poor, long fixed-term employment exhibits no significant differences as compared to regular jobs. Yet residence within the parental home has different effects on objective (which is reduced by it) and subjective measures of poverty (which is increased). The paper finally summarises its results and concludes with a discussion of its findings with regard to both the methodological as well as its political implications.

Multidimensional deprivation among adolescents in 39 countries: Evidence from the Health Behaviour in School-Aged Children (HBSC) 2013/14 study.

Speaker	Frank J. Elgar McGill University
Bio	Dr. Elgar is an Associate Professor of Psychiatry at McGill University's Institute for Health and Social Policy in Montreal, where he holds the Canada Research Chair in Social Inequalities in Child Health. He is a child psychologist by training, earning masters and doctorate degrees from Memorial University and Dalhousie University. Dr. Elgar worked in the area of child health promotion at Cardiff University in Wales, and previously held faculty positions at the University of Manitoba and Carleton University before moving to McGill University in 2011. He has been a member of the World Health Organisation's Health Behaviour in School-aged Children (HBSC) study since 2004 and teaches and conducts research on child and adolescent health inequalities, poverty and economic inequality, food insecurity, school bullying, and adolescent mental health (website: walden2.mcgill.ca).
Abstract	It is widely acknowledged that children have basic human rights, such as a sufficient supply of healthy foods, access to healthcare, access to education, and freedom to grow up in a

safe environment. These rights are fundamental to social and economic development and enshrined in the UN Convention on the Rights of the Child (CRC). Drawing on the CRC to define the non-monetary dimensions of child poverty, UNICEF developed the Multiple Overlapping Deprivation Analysis (MODA) to facilitate research and surveillance of children who are multidimensionally poor. This study applied UNICEF's Multiple Overlapping Deprivation Analysis (MODA) framework to adolescents (aged 11, 13 and 15) in 37 European countries and Canada using data from the 2013/14 Health Behaviour in School-aged Children survey. It is one of the first applications of MODA based entirely on data collected from adolescents themselves rather than from household reference persons on their behalf. Unlike most other multidimensional child poverty studies, the present analysis focuses on non-material, relational aspects of child poverty.

Our results show substantial cross-country variation in the prevalence of adolescent deprivations in nutrition, perceived health, school environment, protection from peer violence, family environment and access to information. Nordic countries and the Netherlands had the lowest levels of multidimensional poverty among adolescents. Denmark, Finland, Iceland, the Netherlands, Norway and Sweden all had 16% or less of adolescents deprived in three or more dimensions out of six. Traditionally, these are countries with consistently better outcomes in many indicators of child well-being. These single dimensions of poverty did not closely relate to national wealth and income inequality. However, when we looked at deprivation in three or more dimensions (i.e., multidimensional poverty), we found a position association with national income inequality (r = 0.45) and negative association with per capita GDP (r = -0.31). We found no evidence to suggest that states' efforts to reduce deprivation from essential social resources for adolescents are restricted by their level of economic prosperity. In most countries, girls were at higher risk of multidimensional poverty than boys. In addition, adolescents who lived with both parents in the household or reported higher family wealth were consistently less poor than other adolescents, in both single and multiple dimensions.

The results of this study also show the interconnectedness of specific psychological and social deprivations. More specifically, a lack of perceived support in school and family

coincided most often with experiences of being bullied and poor psychosomatic health, while nutrition and information access are less likely to be interconnected with these dimensions of poverty. It might be that adolescents who lack good communication and support at school and family are likely to become victims of bullying and suffer from poor health. There is no claim of causality or direction of these associations, but from a policy perspective they draw attention to a group of adolescents who are marginalised or excluded within the school environment as these adolescents and young people are vulnerable in all their social ties and connections during their adolescent lives.
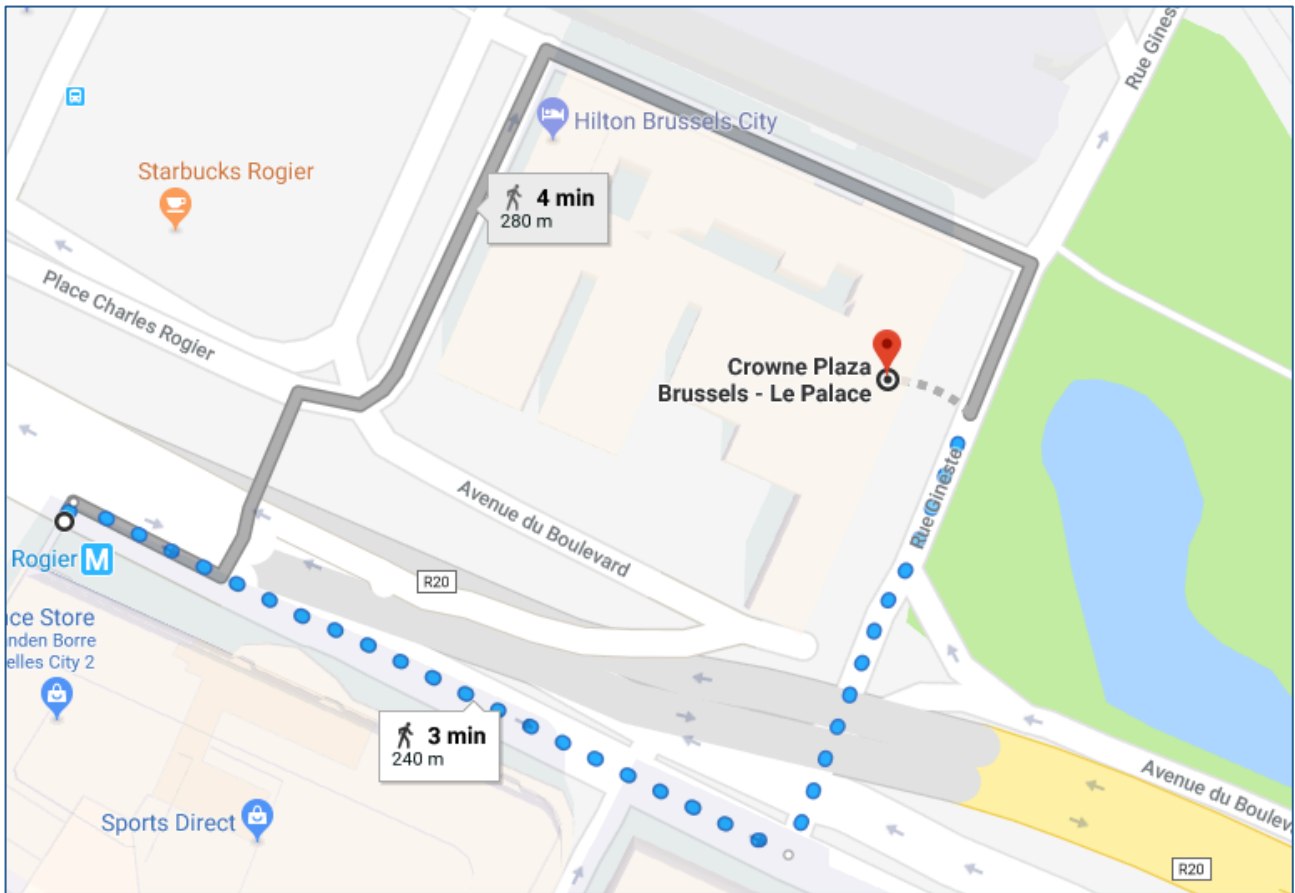
The venue

CROWNE PLAZA®
HOTELS & RESORTS

Crowne Plaza Brussels
Klimt Room
Ground floor

Rue Gineste 3,
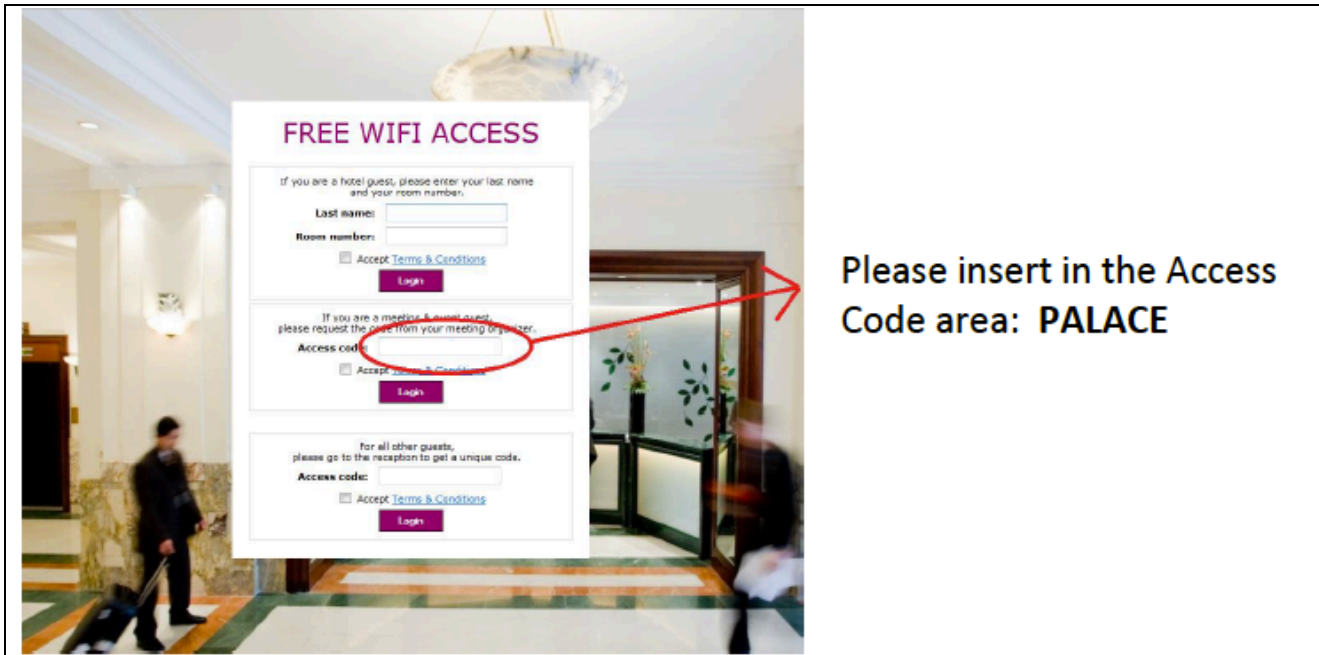1210 Brussels, Belgium

Metro: Rogier

Travel information

Starting point	Time to Crowne Plaza	How
Metro Rogier	3 min	Walk
Brussels North Station	6 min	Walk
Brussels Midi Station	18 min	Tram 3 or 4
DG Employment	14 min	Metro 2 or 6

On-site services

Wifi

Network Name: Crowne-Plaza-Free-Internet

Sign in from your internet browser

Catering

All participants are invited to the walking lunch.

Coffee and tea will be served before the seminar and during the breaks.

Contact and registration

Arnaud Vaganay
LSE Enterprise
a.vaganay@lse.ac.uk