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Mobility into and out of poverty in Europe before, during and after the economic crisis

Abstract

In this paper, we analyze poverty dynamics in a number of European countries immediately before, during and (in a number of cases) after the recent economic crisis, using the data of the European Union Statistics on Income and Living Conditions (EU-SILC) for the period 2005-2013. The duration and the severity of the crisis was not the same in all EU member-states. Correspondingly, the time-frames used for the identification of the crisis period (years with negative growth rates) differ across countries. The study first focuses 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. Then, multivariate logit analysis is employed in order to identify the socioeconomic factors that are associated with the transitions into and out of poverty. Cross-country differences, as well as differences in poverty dynamic trends between the three sub-periods, are examined.

Preliminary results show that substantial cross-country differences can be observed 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 all sub-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 countries hit stronger by the crisis; the effect is stronger, while demographic events seem to be relatively more important for both poverty entries and exits in Northern countries; b) Employment events are more important for ending a poverty spell than unemployment events for starting a poverty spell, especially in the last two sub-periods; c) The importance of second income earners (finding a job or increasing earnings) for bringing the household out of poverty was established in all sub-periods; d) The socioeconomic characteristics of the household and the household head present a rather similar patterns across countries in all sub-periods examined.