

The Social Consequences of the Crisis in Europe: An Overview

Poverty and social exclusion

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Politics and Policies for Solidarity and Growth*

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outline

- Indicators
- Available data
 - Monetary poverty
 - Severe material deprivation
 - Very low work intensity
- Microsimulation estimates
- Reference budgets
- Conclusion

indicators

- EU 'at risk of poverty or social exclusion' indicator
- Defined as the share of the population in at least one of the following conditions:
 - below the poverty threshold
 - set at 60% of median equivalised household disposable income
 - in a situation of **severe material deprivation**^(*)
 - living in a household with very low work intensity
 - i.e. working less than 20% of their potential

(*) Enforced inability to pay for at least 4 of the following 9 items:

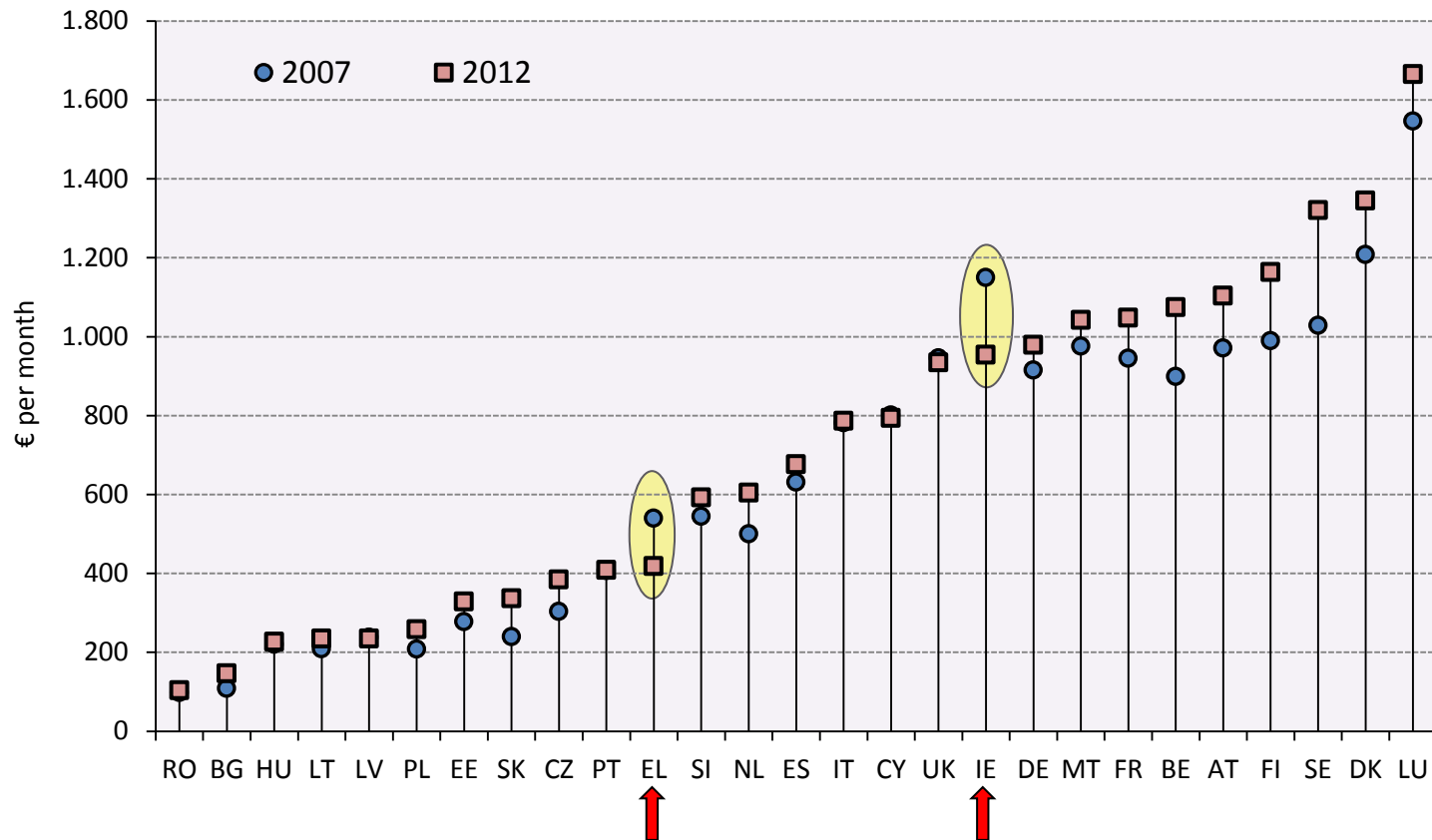
rent, mortgage or utility bills	keep home adequately warm	unexpected expenses
eat meat/proteins regularly	go on holiday	television set
washing machine	car	telephone

available data

- EU Statistics on Income and Living Conditions (EU-SILC)
 - Most recent available estimates: from EU-SILC 2013
 - EU-SILC 2012 for Ireland
 - Income reference period: 2012
 - 2011 for Ireland
 - Use of microsimulation
 - Looking at years for which EU-SILC data are not yet available
 - Exploring '*what if*' scenarios
 - Tax-benefit microsimulation model EUROMOD
- Crisis period: different for each country
- Looking at the period 2007-2012
 - 2007-2011 for Ireland

monetary poverty

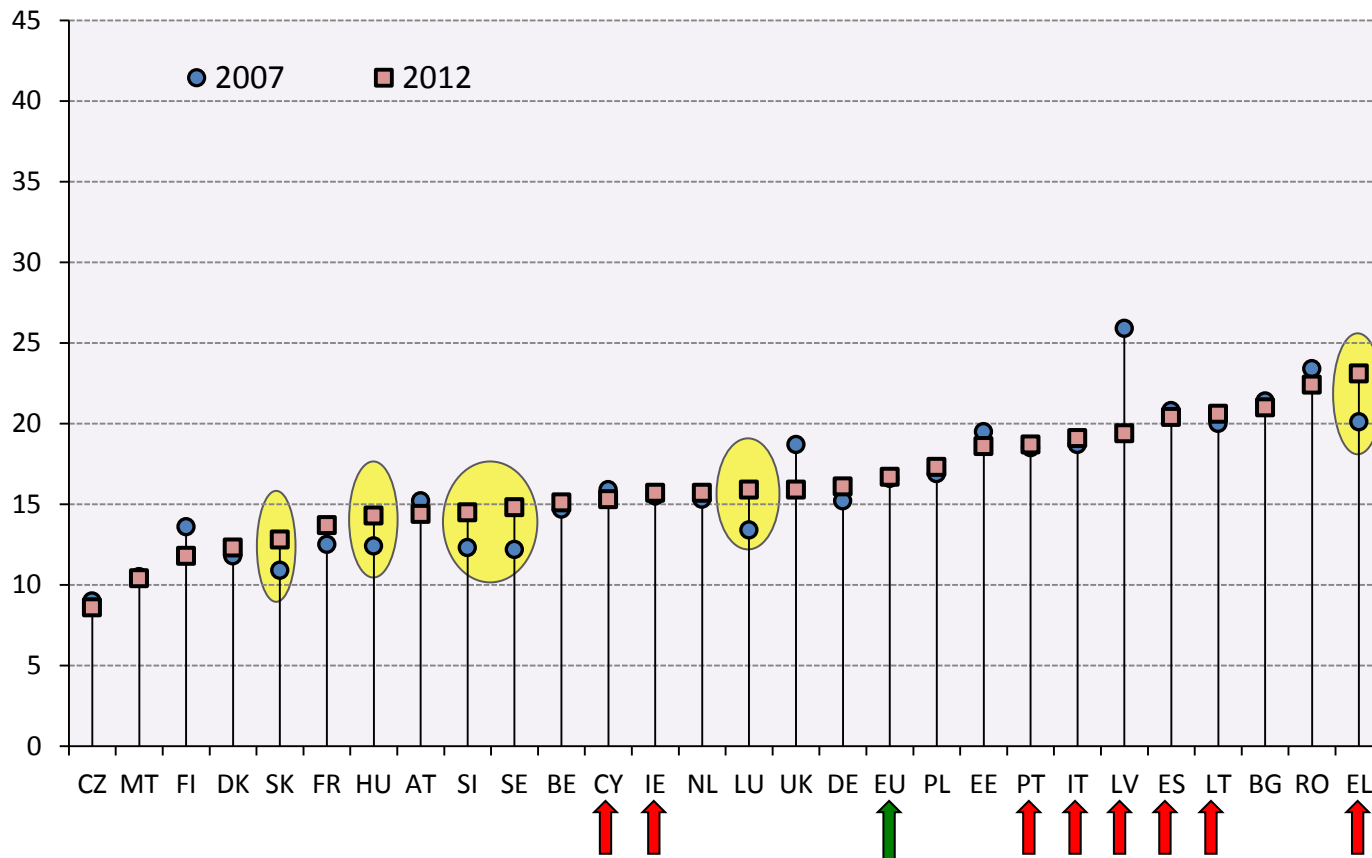
poverty thresholds for single-person households: 60% of median



Source: EUROSTAT

monetary poverty

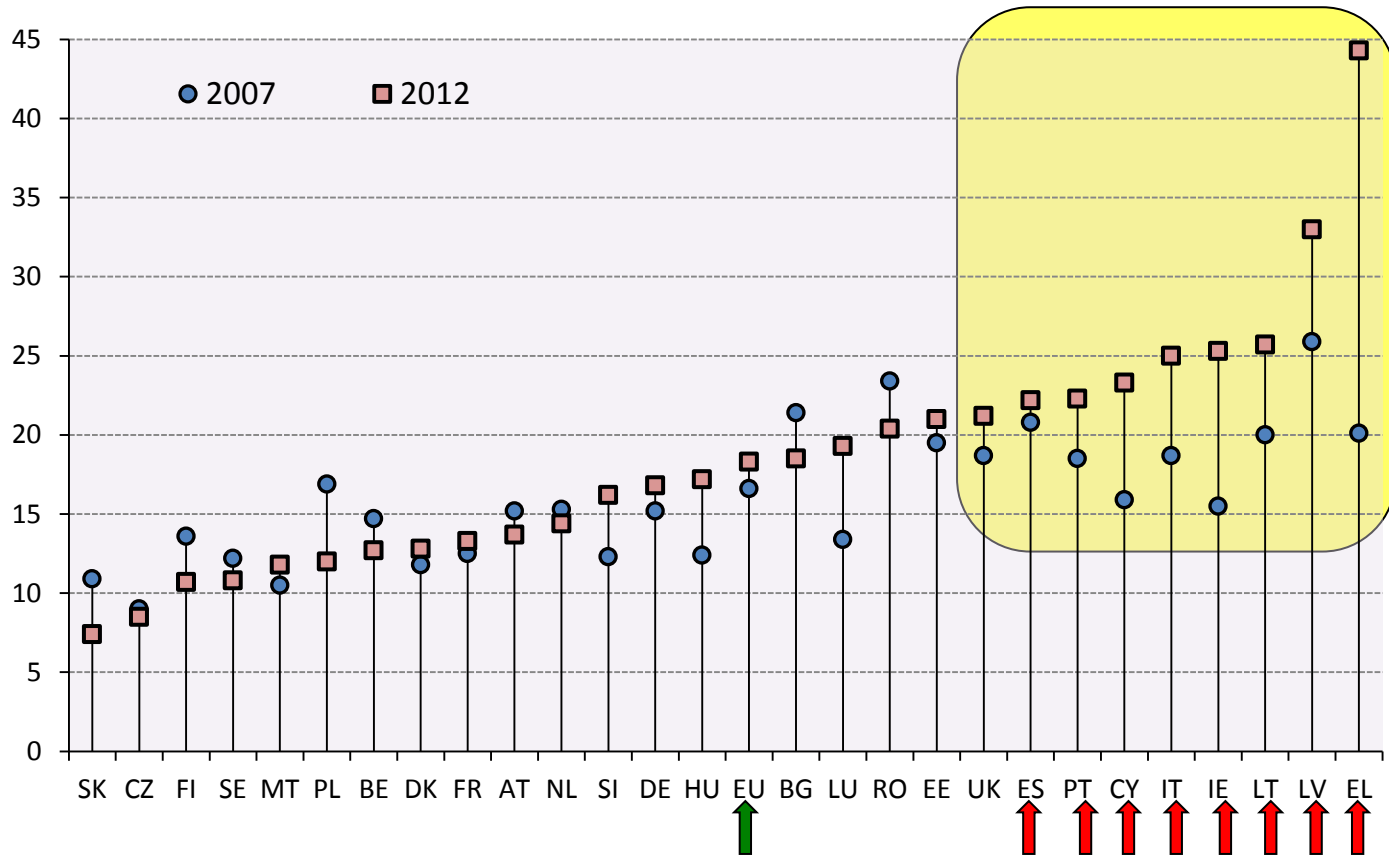
at risk of poverty: poverty threshold at 60% of median (%)



Source: EUROSTAT

monetary poverty

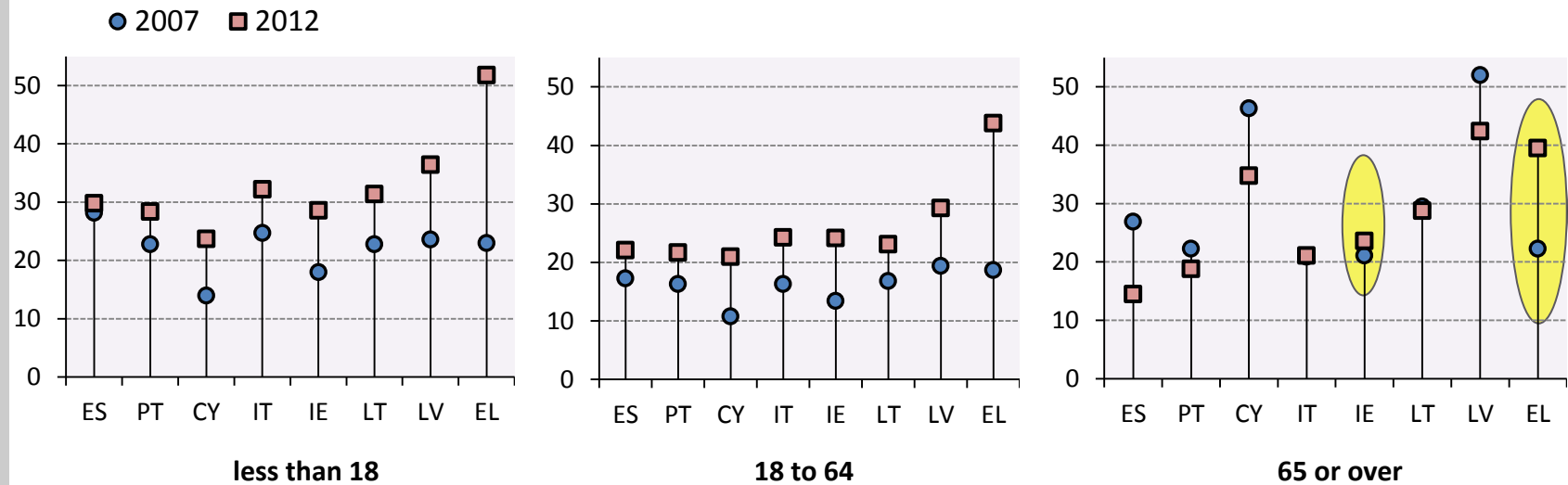
at risk of poverty: poverty threshold fixed in 2007 and adjusted for inflation (%)



Source: EUROSTAT

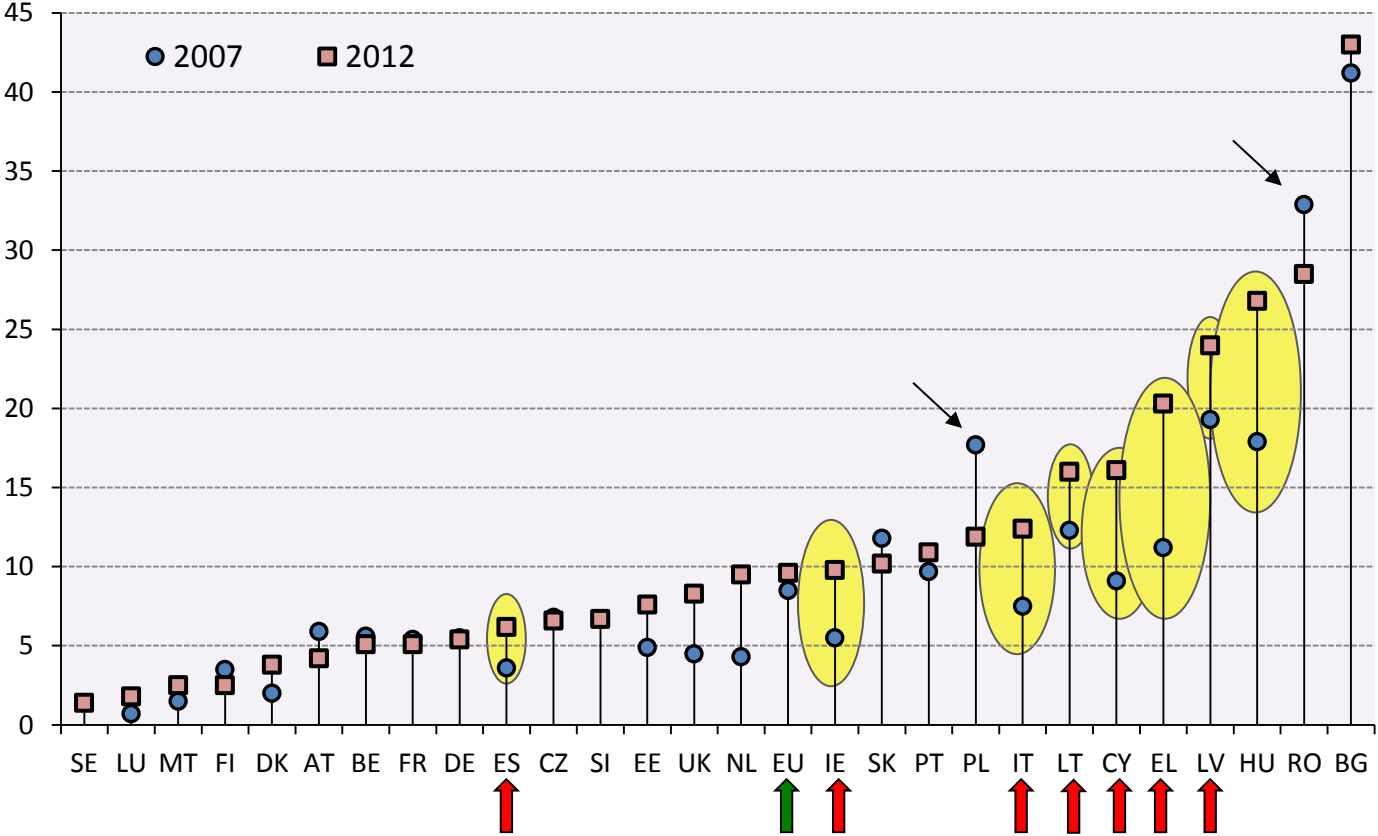
monetary poverty

at risk of poverty by age - fixed threshold (%)



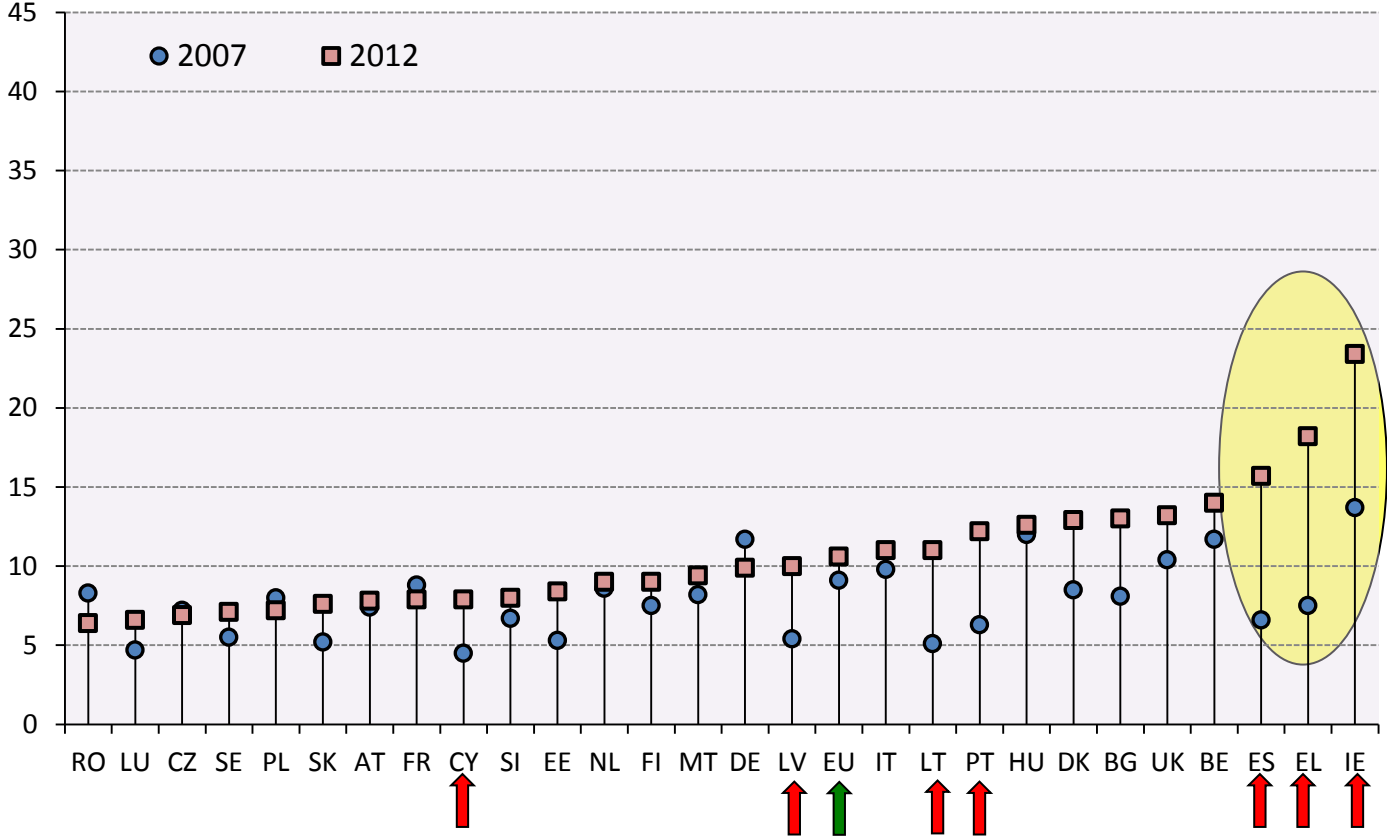
- Child and active-age poverty increased in all 8 countries
- Elderly poverty decreased in most countries
 - Only increased in Ireland and Greece, but by less than child and working age poverty

severe material deprivation (%)



Source: EUROSTAT

very low work intensity (%)



Source: EUROSTAT

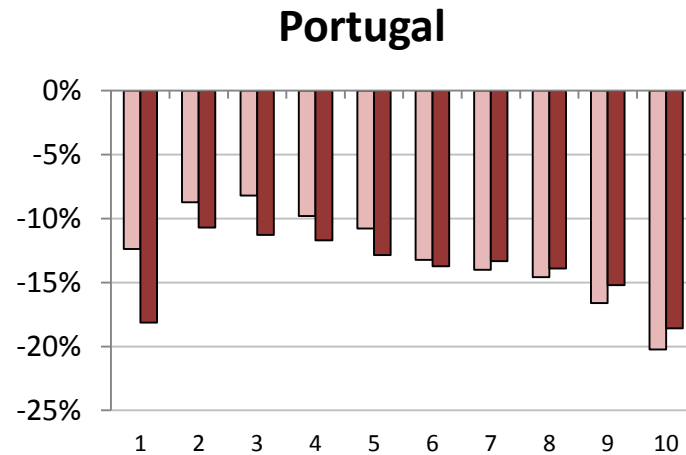
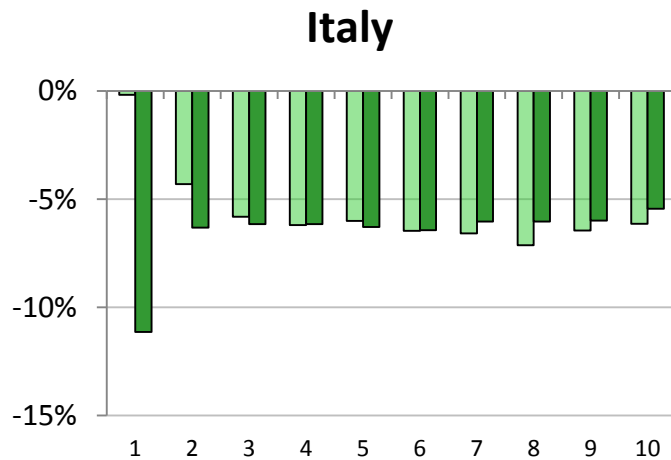
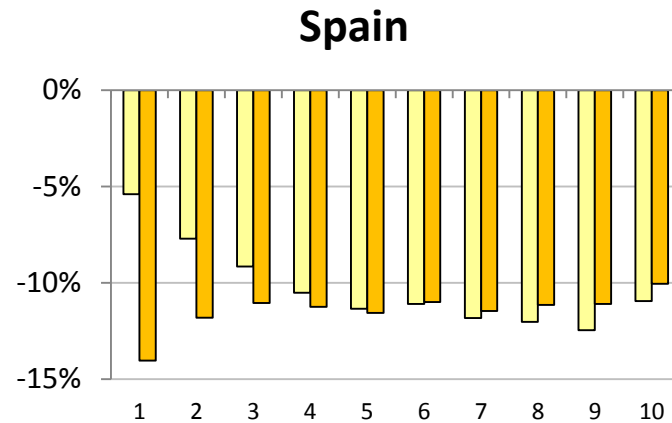
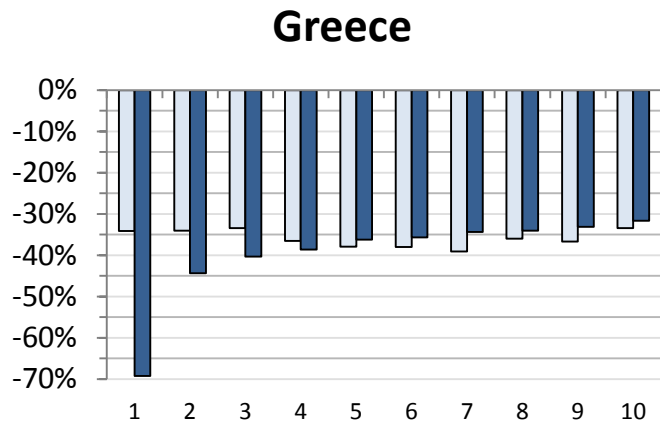
very low work intensity

De Graaf-Zijl & Nolan (2011)

- Little evidence of consistent patterns among frequently used groupings of countries
- Pre-crisis: the correlation between household joblessness and relative income poverty/material deprivation is positive but not very strong
- In most EU countries little more than half the working-age adults in jobless households were either income-poor or deprived
 - Concerns about the rational of including joblessness in the EU poverty reduction target

microsimulation

changes in real disposable income (2009-2013): re-ranking effects



Light bars: deciles fixed in 2009 Dark bars: deciles recalculated

microsimulation

Matsaganis & Leventi (2014)


- Used for isolating the *first-order effects of tax and benefit policies* from the broader impact of the crisis in Spain, Greece, Italy and Portugal in 2009-2013
 - Broader impact effects also capture changes in market incomes and labour market characteristics
- Policies accounted for a major part of poverty increases in all four countries
 - Greece: in 2010-2011
 - Spain and Portugal: in 2011-2013
 - Italy: in 2010-2012

reference budgets

- Proportion of population unable to purchase the cheapest basket of goods consistent with dignified living
 - Calculated for Greece (PARU Newsletter 5/2013)
 - Extreme poverty threshold
 - In 2013, 14% of the population was estimated to fall below the extreme poverty threshold (compared to 10.8% in 2012, and 2.2% in 2009)
- Reference budgets for social inclusion are currently being developed for all EU countries

conclusion

- Definitions matter
 - Fixing the poverty line at pre-crisis levels in real terms captures the sense of impoverishment when nominal incomes fall while prices keep rising
- Greece clearly stands out from all the other EU countries hit by the crisis
- Changes in the composition of the population in poverty
 - Fewer elderly people, more working-age individuals and children
- The poorest 10% of the population has not been adequately protected
 - Need to tighten social safety nets and minimise losses for lower income groups

A dramatic sky with pink and purple clouds, a street lamp silhouette, and bare tree branches.

Thank you for your attention!