Internationale Politikanalyse
International Policy Analysis

Brian Nolan

A Comparative Perspective on the Development of Poverty and Exclusion in European Societies

■ The poor or those "at risk of poverty" are usually identified on the basis of their income, as those below relative income poverty lines, which are set at 50 % to 60 % of the median income in a country. The latest EU figures show that in Germany 13 % of the population lives below the 60 % level of the median income, compared with an EU-25 average of 16 %. (Previous figures for Germany were higher but the data has changed.) The income threshold differs widely across countries. In Germany it is about €10,000 per annum for a single adult, which is 5 times higher than in the poorest EU Member States.

■ From the mid-1980s to 2000, poverty increased in a substantial number of OECD countries, including Germany, partly due to increased market income inequality. If the poverty threshold was increased over time only relative to the rise in prices, all OECD countries, including Germany, achieved significant reductions in absolute poverty during that period. While household incomes change from one year to the next, poverty levels are consistent; in Germany 6 % of the population were "persistently poor", compared to the EU-15 average of 9 %.

■ While some characteristics increase the chances of being poor almost anywhere, poverty among "vulnerable groups" varies greatly across countries. The level of poverty largely depends on the interactions between families, labour markets and welfare states.

■ Increased employment does not automatically reduce (relative) poverty and social support for those who have no, or only minimal income, also needs to be strengthened.

FRIEDRICH EBERT STIFTUNG

NOVEMBER 2007

Content

1 Introduction

A large body of research on poverty in industrialised countries, much of it comparative in nature, has been produced in the last decade or more. The aim of this paper, which is prepared for the Friedrich Ebert Foundation, is to review this research and evidence in order to inform policy debate in Germany. We begin with a discussion of the underlying concepts and issues about measuring variables, before turning to the extent and nature of poverty and social exclusion and how to address them.

2 What Do We Mean by Poverty and Exclusion?

In principle, most research on poverty in rich countries starts with the premise that, as Piachaud put it,

"close to subsistence level there is indeed some absolute minimum necessary for survival but apart from this, any poverty standard must reflect prevailing social standards: it must be a relative standard" (1987: 148).

The most influential formulation of such a concept was by the sociologist Peter Townsend. He contended that individuals can be regarded as living in poverty when "Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities" (Townsend, 1979: 31).

This definition has been very widely accepted and now explicitly underpins most research on poverty in EU countries. It has also been adopted whole-heartedly by EU policy-makers. The EC Council in the mid-1980s adopted the following definition:

"The poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live".

This understanding of the concept of poverty now firmly underpins the EU Social Inclusion process, although the way in which it is actually applied is still evolving as we shall see.

Similar definitions, in terms of participation versus exclusion, are also now commonly quoted in official statements by different member states. The adoption of such an explicitly relative conception of poverty at the political level does not seem to have been particularly contentious. This may be because it is only when it comes to applying such a definition in practice that one has to face up to the implications. Only very recently have most EU countries started to develop "official" poverty measures, indicators or even targets. It is at that point that the implications of this definition become clear and the debate really begins. This is in sharp contrast to the USA, where the existence of a long-standing official poverty line has fundamentally influenced how poverty is thought about and policy assessed. This poverty standard goes back to the 1960s, and was originally based on the cost of a nutritionally adequate diet, multiplied by a factor to take account of non-food spending. This standard has subsequently been up-dated in line with consumer prices, and that indexation is now the key element.[1] In most European countries, linking the poverty standard, or at least the social safety net to average living standards in some way, is the norm.

At the EU level, and in some member states, the terms "social exclusion" and "social inclusion" are now widely employed, together with or instead of "poverty". The popularity of this terminology is probably related to its vagueness, and in some cases, its greater political acceptability. However, this focus on exclusion may serve to emphasise the barriers and the dynamics of the processes that leave people in situations where they are not able to fully participate in society. The widespread adoption of the terminology of social exclusion/inclusion also reflects the concern that relying entirely on income statistics misses an important part of the picture. There is an increasing emphasis on multidimensionality and on the need to incorporate indicators relating to dimensions other than income. Thus the EU's social inclusion indicators go beyond income statistics to include educational disadvantage, health inequalities, and unemployment and worklessness; such a multi-dimensional approach has also been adopted in many of the EU member states.

Brian Nolan, Professor of Public Policy, School of Applied Social Science, University College Dublin

1 An influential US expert panel reviewing the measure put forward a definition of poverty as insufficient resources for basic living needs, "defined appropriately for the United States today" (Citro and Michael, 1995). They argued that this was broadly in line with Townsend's formulation. In fact in its emphasis on basic needs it is somewhat more restrictive, and perhaps closer to more traditional pre-Townsend notions of poverty in a European context. There is certainly a stark contrast between that broadly (quasi-) relative notion and actual US practice. The linking of the official poverty measure to real changes in spending on at least food, clothing and shelter, as the panel recommended, rather than simply to prices, would represent a sea-change in official practice – and one that has not been adopted.

3 Measuring and Monitoring Poverty and Exclusion

Most often, household income is an indicator used to identify the poor. Many different ways of establishing an income cut-off have been proposed, for example, by referencing budget standards, expenditure patterns, the income standards implicit in social security support rates, views in the population, or as proportions of average income (for a review see Callan and Nolan 1991). The most common practice in recent years in European research, has been to rely on relative income poverty lines, derived as proportions of mean or median incomes. Thresholds such as 50 % and 60 % of median income are being widely used. This has been the norm in academic studies with a comparative perspective, notably those based on data from the Luxembourg Income Study (LIS) or the European Community Household Survey (ECHP) (for recent examples see Förster and Pearson, 2002, and Fritzell and Ritakallio, 2004). The underlying rationale seems to be that those falling more than a certain percentage below their country's average income are unable to fully participate in society.

This approach was also adopted by various influential studies done for the EU Commission or Eurostat (O'Higgins and Jenkins, 1990, Eurostat, 2000). The EU social inclusion indicators adopted at the Laeken Council in 2001, place considerable emphasis on such relative income poverty indicators, the details of which are explained below. The EU indicators also employ poverty thresholds anchored at a specific point in time and up-dated in line with prices, similar to the official US poverty line. However, the headline poverty figures widely quoted for the EU are those based on purely relative income thresholds. The 2004 accession to the EU of countries with both low levels of average income and relatively low initial levels of income inequality, raises particular questions about reliance on country-specific relative income thresholds (see for example the discussion in Marlier *et al,* 2006). For this reason it is also of interest to look at the patterns that develop when a common EU-wide income threshold is used.

In any case, low income figures may fail to identify those experiencing high levels of deprivation relative to the living standards in their own society. Studies of various European countries using non-monetary indicators consistently find that a significant proportion of those living below income poverty thresholds do not display (relatively) high deprivation scores.[2] Similar patterns are found across EU countries when data from the ECHP are analysed (see Layte, Maitre, Nolan and Whelan 2000, 2001). This arises because current disposable cash income – even if measured accurately in surveys – is not a comprehensive measure of financial resources. This is because needs differ across households in ways that go well beyond differences in household size, and because other factors such as variations in housing costs, work-related expenses such as transport and child-care, and geographical variations in prices are not taken into account. Recognising this, the EU's social inclusion indicators refer to those living below (relative) income poverty thresholds as "at risk of poverty" rather than "poor".

One way of improving the "fit" between income and deprivation is to examine what has been happening to income levels over a longer time period. Longitudinal data from surveys that follows the same people from one year to the next, have been available for Germany and The Netherlands since the 1980s and for the UK since the early 1990s; from the mid-1990s on, the ECHP covered most of the EU-15 member states (Sweden being the exception) and produced longitudinal data up to 2001. The phenomenon of persistent low-income among some groups has become more widely recognised among policy circles. This is illustrated by the inclusion of "risk poverty rates" among the EU's social inclusion indicators.[3] While this is an important complement to measures that are based on income levels at a specific point in time, it is not a panacea: an analysis of the ECHP shows that deprivation levels still vary a good deal between households at similar levels of persistent low income (Whelan *et al* 2003).

In any case, the argument for going beyond income statistics for measuring poverty and exclusion can be justified by the multidimensional nature of these phenomena. There are clearly many different dimensions of deprivation. These go beyond material deprivation to encompass physical and psychological or social aspects of well-being. The importance of recognizing these different aspects by utilizing separate indicators – relating specifically to housing, health or social participation – is now more widely appreciated among researchers, and can also be particularly appealing at the political level, as the adoption of a multi-dimensional approach to monitoring progress in relation to poverty and social exclusion in the EU

2 Some recent examples are Gordon *et al* (2000) and Bradshaw and Finch (2002) with British data, Nolan and Whelan (1996) with Irish data, Muffels and Dirven (1998) with Dutch data, Halleröd (1996) for Sweden, Kangas and Ritakallio (1998) for Finland, Bohnke and Delhey (1999) for Germany, and Tsakloglou and Panopoulou (1998) for Greece.

3 See Atkinson *et al* (2002) for a discussion.

illustrates.[4] Among the important practical questions to be faced when using multi-dimensional indicators of poverty, is whether one simply presents indicators relating to different dimensions separately, or one tries to aggregate across dimensions, and if so how? In an EU context, the social exclusion indicators adopted at Laeken are very deliberately presented individually with no attempt to produce an overall "score" across the dimensions – indeed, Atkinson *et al* (2002) argue that this should be avoided precisely because the whole thrust of the European social agenda is to emphasize the multidimensionality of social disadvantage.

4 Patterns of Poverty in Europe

We now move on to the evidence regarding poverty in Europe. We start with the numbers of people falling below relative income poverty thresholds – those "at risk of poverty", in terms of the EU's social inclusion indicators. For this purpose, we use the most recent figures produced by Eurostat and those that are presented on their web-site as part of the database on social inclusion indicators. These are drawn from the new EU Statistics on Income and Living Conditions (EU-SILC), which is an output-harmonised data gathering exercise co-ordinated by Eurostat, which has replaced the ECHP as the basis for many of the common social inclusion indicators, and which covers all 25 Member States.

The figures presented in Table 1 are the percentage of persons in households falling below 60 % of median disposable household income in their country in 2005.[5] For this purpose, income has been "equivalised", meaning it is adjusted to take the size and composition of the household into account, since a larger household will need more income than a smaller one to reach the same standard of living. While using 60 % as the threshold is arbitrary, and EU indicators also present figures for other thresholds, this is the figure that tends to be most widely used. The table shows that the percentage falling below this threshold – the "at-risk-of-poverty" rate – varies from a low of 9 % to a high of 21 %. For the EU-25 as a whole, 16 % of persons are in this situation – that is, below their own national threshold. This suggests that a total of 73 million persons (out of a total of about 455 million) are at risk of poverty.

Table 1: Overall Poverty Risk in EU Countries, 2005

Country	% below 60 % of median equivalised income in country
Belgium	15
Czech Republic	10
Denmark	12
Germany	13
Estonia	18
Ireland	20
Greece	20
Spain	20
France	13
Italy	19
Cyprus	16
Latvia	19
Lithuania	21
Luxembourg	13
Hungary	13
Malta	15
Netherlands	11
Austria	12
Poland	21
Portugal	20
Slovenia	10*
Slovakia	13
Finland	12
Sweden	9
UK	19
EU-15	16
EU-25	16

Source: Eurostat (downloaded 8/5/2007); note: * = 2003

We can distinguish a number of country groupings in terms of this indicator. The countries with the highest proportion of having a population below the threshold are Ireland, Greece, Spain, Lithuania, Poland and Portugal, where 20–21 % fall below the threshold. Countries with rates of 18–19 % are Estonia, Italy, Latvia and the UK. Countries within a percentage point of the EU average are Belgium, Cyprus and Malta. Countries with rates of 12–14 % are Denmark, Germany, France, Luxembourg, Hungary, Austria, Slovakia and Finland. Finally, the countries with the lowest rates, of 11 % or below, are the Czech Republic, the Netherlands, Slovenia and Sweden. (We will

4 Sen's concept of "capabilities", the alternative combination of functionings a person can achieve (see e.g. Sen, 1993), has received a great deal of attention, but implementation has had limited success.

5 The median is the value that divides the distribution in half, with 50 % above and 50 % below it.

not discuss regional differences within countries, but it is worth noting that the figure of 13 % for Germany comprises a rate of 12 % for the former West and 17 % for the East.)

It is worth noting that there are some differences between the rankings of countries with these latest figures and those seen with the slightly earlier figures produced by the EU that formed the basis for the 2006 Joint Report on Social Inclusion (and Marlier *et al,* 2006). Most significant to this paper is that in 2006, Germany was exactly at the EU average of 16 %, whereas today, Germany is at 13 %. At this time, Slovakia has a much lower rate than it previously had; the Netherlands also has a lower rate today, which moves it to among the very best performers, whereas Denmark and Finland have slightly higher rates than they previously had. The result is that the Scandinavian dominance of being the best-performing group appears to be slipping. These differences are related to the transition to EU-SILC, which is a phenomenon that cannot be pursued in any depth in this paper (figures from the SOEP were the basis for the previous German figures), but that serves to caution against an over-reliance on the exact figures presented, for this and indeed for many other social indicators.

Using different relative income thresholds does not necessarily have to lead to an identical ranking of countries. EU indicators also look at cases where percentages fall to levels below 40 %, 50 % and 70 % of the median income. The figures currently available are for 2004 and 2003 (not 2005). They are shown in Table 2. Germany has 6 % of its population living below the 40 % threshold, just above the EU-25 average; 10 % live below the 50 % threshold, the same as the EU average; 16 % live below the 60 % threshold, the same as the EU average and a good deal higher than the 2005 figure with this threshold cited in Table 1, as already noted; and 23 % below the 70 % threshold, just below the EU average. As far as other countries are concerned, there are some changes in ranking when the different thresholds are used, but they tend to be consistent (Table 2).

Table 2: Overall Poverty Risk with Alternative Thresholds in EU Countries, 2004

Country	% below this percentage of median equivalised income in country			
	40 %	50 %	60 %	70 %
Belgium	5	9	15	23
Czech Republic	1*	4*	8*	16*
Denmark	3	6	11	19
Germany	6	10	16	23
Estonia	7*	11*	18*	26*
Ireland	5	11	21	29
Greece	8	13	20	28
Spain	7	13	20	27
France	3	7	14	22
Italy	7	12	19	27
Cyprus	4*	9*	15*	23*
Latvia	5*	10*	16*	25*
Lithuania	4*	8*	15*	23*
Luxembourg	3	6	11	20
Hungary	3*	6*	12*	19*
Malta	..	..	..	..
Netherlands	.4*	7*	12	21*
Austria	4	7	13	20
Poland	6*	11*	17*	25*
Portugal	9	14	21	29
Slovenia	3*	6*	10*	17*
Slovakia	12	16	21	27
Finland	2	5	11	20
Sweden	3	6	11	19
UK	.5*	10*	18*	26*
EU-15	5	10	17	24
EU-25	5	10	16	24

Source: Eurostat (downloaded 8/5/2007); note: * 2003

The persons living in the EU that fall below these thresholds are heavily concentrated, but not in the countries with the highest at-risk-of-poverty rates. Using the figures for 2003, Marlier *et al* (2006) report that over half the persons living below 60 % of median income live in Germany, Italy, the UK and France, simply because these are the countries where a very substantial share of the EU population lives. Sixteen (relatively small) member states account for only 10 million of the 73 million persons living below the threshold. So, from an EU perspective, social inclusion policy has to take seriously what is happening in those countries, particularly if the overall number of those at risk of poverty is to be reduced. It is also worth noting that the enlargement of the EU in 2004 has not increased the overall percentage of those at risk of poverty. Among the EU 15, there is a tendency for countries with higher average incomes to have lower at-risk-of-poverty rates, but the 10 new member states do not conform according to this pattern.

These figures are based on country-specific relative income thresholds, so differences in average living

standards between countries do not directly affect the numbers of at risk of poverty individuals. The thresholds used are indeed very different: in Germany, Belgium and the Netherlands the 60 % threshold for a single adult is about €10,000 per annum, whereas in Latvia and Lithuania the corresponding threshold is about €1,500. Even when one takes differences in prices and purchasing power into account, the threshold in Germany is over four times as high as that in Latvia and Lithuania – and the gap between them and Denmark and Luxembourg is even wider. This is the consequence of taking the median income of the country in question as the reference point to frame such relative income thresholds.

An alternative would be to use an income threshold that was the same across all countries – set for example at 60 % of median income across the EU. This would give very different results in terms of poverty rates and where the poor in the EU are located. This is illustrated by the results of data analysis conducted by the ECHP and the Luxembourg Income Study by Brandolini (2007),[6] which show that moving to such a common EU threshold would mean re-classifying most of the populations of countries like Slovakia and Estonia as living below the threshold, while there would be virtually no poverty in Luxembourg. In Germany, the poverty rate would be about 5 percentage points lower than with the country-specific 60 % threshold. The share of "the EU's poor" living in Eastern Europe would go up from 14 % to 50 %, the share in Southern Europe would fall from 34 % to 30 %, the share in "Continental Europe" would fall sharply from 33 % to 13 %, and the share in the UK and Ireland would also fall substantially from 16 % to 6 %, while the share in the Nordic countries would go down from 3 % to 1 %. In the final chapter of this paper, we will return to discuss the competing logics of country-specific versus common EU-wide thresholds and their implications.

5 Trends in Poverty

Returning to at-risk-of-poverty rates with country-specific thresholds, we now look at what has been happening to poverty risk over time in different countries. Using the threshold of 60 % of median income, Table 3 shows the figures for the "old" 15 member states from 1995.[7] We focus primarily on the period from 1995 to 2001, since the source of this data over that time period was the same. We see that the proportion falling below the 60 % threshold fell markedly in the case of Belgium, Germany and Portugal, and also fell, albeit less significantly, in Greece, France and the UK. (We ignore changes of no more than 1 percentage point since these may not be statistically significant.) The only countries that registered increases were Ireland and Finland. These changes have to be considered in light of the fact that, in many cases, the underlying data source (the ECHP) was a longitudinal survey and was thus affected by respondent countries dropping out from one year to the next, which could affect its representativeness.

In general, the figures for 2003–2005 (presented by Eurostat) cannot be used to assess trends over time because of the change in the source of the underlying data (and there have also been some changes in the way income is measured). Nonetheless, it is of interest to note that compared to 2001, they show higher "at risk of poverty" rates for Belgium, Denmark and Germany; overall the percentage of the EU-15 population living below the threshold is the same in 2005 (16 %) as was the case in 2001 (Table 3).

Table 3: Trends in Poverty Risk in EU-15 Countries since 1995, 60 % of Median Threshold

Country	% below 60 % of median equivalised income in country			
	1995	2001	2003	2005
Belgium	16	13	15b	15
Denmark	10	10	12b	12
Germany	15	11	..	13b
Ireland	19	21	20b	20
Greece	22	20	21b	20
Spain	19	19	19	20
France	15	13	12	13
Italy	20	19	..	19b
Luxembourg	12	12	10b	13
Netherlands	11	11	11	11
Austria	13	12	..	12
Portugal	23	20	20	20
Finland	8*	11	11	12
Sweden	8**	9	11b	9
UK	20	18	18	19b
EU-15 average	17	16	15	16

Source: Eurostat (downloaded 8/5/2007); note: * 1996
** 1997 b = break in series

6 These do not cover many of the new member states, but serve to illustrate empirically the dramatic difference that using a common threshold would make.

7 Corresponding figures for the member states that joined in 2004 are unsurprisingly not available from this source, though some national studies are available.

The most intensive examination of recent trends in poverty risk is conducted by the OECD on the basis of data collected especially for this purpose from individual countries; unfortunately this covers only the period leading up to around 2000 (Förster and d'Ercole 2005). This data shows that for 20 OECD countries the average poverty rate – using a threshold of 50 % – was 10.6 % in 2000; in the mid-1980s the average was 9.4 % and 10 % in the mid-1990s. Over the second half of the 1990s, the poverty rate increased by more than one percentage point in Australia, Austria, Finland, Ireland, Japan and New Zealand, whereas it declined by that same amount in Norway, Italy and Mexico. With the threshold set at 60 %, the poverty rate rose in the second half of the 1990s in Australia, Austria, Canada, Denmark, Finland, Ireland, Japan, New Zealand, Sweden, and fell in only Italy, Norway, Mexico and Portugal. The figures for Germany (using the 50 % threshold) show an increase from the mid-1980s to the mid-1990s, and a continuing slight increase until the year 2000. There was, however, only little change in the second half of the 1990s when using the 60 % threshold.

So, we can say that the most common direction of change, evidenced by the figures collected by the OECD, is upwards. This is different from the EU figures presented in Table 3. When analysing the factors at work in the second half of the 1990s among households where the head of the household was of working age, a common pattern that emerged was a decline in the poverty-reducing effects of taxes. However, this is not representative of what happened in Germany. From the mid-1980s to 2000, Germany also saw a reduction in the proportion of older people falling below 50 % of median income levels. However, the most notable feature of the second half of the 1990s in Germany, was an increase in market income (before taxes and transfers) inequality among the working-age population. This contributed to an increase in people living below relative thresholds.

Another picture of the trends experienced over time is painted by the analysis of data by the Luxembourg Income Study, a key repository of cross-section survey data which seeks to harmonise national data to allow comparative analysis. Ritikallio and Fritzell (2004), for example, look at poverty rates derived from LIS data for a selection of countries of the 1980s, 1990s until 2000, using 60 % of median "equivalised" income as the threshold. Table 4 gives the results, from which we see that poverty measured this way has risen rather than fallen. Particularly large increases occurred in the Netherlands and the UK. They note that there is no indication of convergence across countries. The country specific variations and the countries' individual rankings are quite stable over time. We see a marked upward trend in Germany during the 1990s. (In relation to Germany, it is also worth noting that the Federal Government's 2nd Poverty and Wealth Report reported the overall poverty risk rate increasing from 12.1 % in 1998 to 13.5 % in 2003).

Table 4: Relative Income Poverty in Selected EU Countries, 1980–2000

Country	% of those below 60 % threshold in		
	1980	1990	2000
Belgium	9.5	10.2	13.2
Germany	10.4	10.3	12.6
Italy	16.9	17.7	19.2
Netherlands	7.0	10.0	12.9
Spain	19.2	16.4	19.0
Finland	13.5	10.2	11.0
Sweden	8.3	10.9	10.9
UK	16.2	21.7	19.5

Source: Ritikallio and Fritzell (2004), derived from LIS microdata.

Finally, it is worth noting that the OECD study also documents what the poverty trends would be if an absolute rather than a relative threshold were used in each country, i.e. a poverty threshold that is moved up over time in line with price increases. This is illustrated by taking a threshold set at 50 % of the median in the mid-1980s and subsequently adjusting it to price changes. When looking at it from this point of view, all OECD countries achieved significant reductions in absolute poverty until 2000. This was particularly dramatic in countries like Ireland and Spain, which experienced very rapid income growth. In the case of Germany, a decline was registered between the mid-1980s and the mid-1990s, but there was no further reduction between the mid-1990s and 2000.

6 Income Poverty Persistence

Household incomes change over time, and income at a particular point in time may not be representative of the usual or long-term income of that household. It is therefore particularly important that longitudinal data that tracks households and their income levels has become much more widely available. This has allowed those who move in and out of low income brackets to be distinguished from those who are per-

sistently found in low income brackets. Germany has kept track of such data for an unusually long period, but longitudinal data for most countries of the "old" EU-15 is available only from the ECHP. The EU's social inclusion indicators made use of this by including the "persistent at-risk-of-poverty" rate, which is defined as the percentage that exists below the relative at-risk-of-poverty rate in the current year and in at least two of the preceding three years. In time, this data will be made available by the new EU-SILC for all the member states, but at the present time it is available only for the old member states from the ECHP and up to 2001.

Table 5 shows these figures based on the 60 % median threshold, and we see that the persistent at-risk-of-poverty rate ranges from 6 % in Denmark, Germany, the Netherlands and Finland up to 14–15 % in Greece and Portugal, with the average for the EU-15 being 9 %. The table also shows this persistent poverty rate as a proportion of the cross-sectional at-risk-of-poverty rate for 2001 for each country. While there are exceptions, countries with high cross-sectional rates tend to have a higher proportion of those living below the threshold for an extended period of time – so that their persistent poverty risk rate is even higher than their cross-sectional at-risk rate would have suggested. For Denmark, while its persistent poverty rate is one of the lowest at 6 %, this represents 60 % of those living below the threshold in 2001 – this is slightly higher than in other countries that have about the same cross-sectional at-risk rate (Table 5)

Table 6 shows some other indicators of poverty dynamics derived from the first five waves of the ECHP which complement the persistent poverty rate. It takes those people falling below that income threshold in the first year, and looks at the proportion of those who were still below that threshold one year later, two years later, and four years later. This shows that lengthening the observation "window" naturally increases the percentage of those leaving the poverty bracket in all countries, but makes rather more of a difference in some countries than in others. Generally speaking, the increase in the proportion of those getting out of poverty (as we go from one to two to four years later) is relatively modest in the countries with high one-year exit rates – such as Belgium, Denmark, France, Germany, Greece and Spain. There, about 40 percent of those below the threshold have escaped poverty after one year, and this rises to about 50 percent or slightly higher after four years. By contrast, countries with low initial exit rates like Ireland, Italy, Portugal and the UK see a more substantial increase, going from 25–30 percent after one year to 43–50 percent by the fifth year, while the Netherlands has a

Table 5: Persistent Poverty Risk for EU-15 Countries, 2001

Country	(1) % below 60 % of median equivalised income in country	(2) (1) as % of at-risk-of-poverty rate in 2001
Belgium	7	54
Denmark	6	60
Germany	6	54
Ireland	13	62
Greece	14	70
Spain	10	53
France	9*	69
Italy	13	68
Luxembourg	9	75
Netherlands	6	54
Austria	7	58
Portugal	15	75
Finland	6	54
Sweden	..	..
UK	11*	61
EU-15 average	9	56

Source: Eurostat (downloaded 8/5/2007); note: * = 2000

Table 6: Income Poverty Dynamics in the European Union, 1993–1997

Country	% of those below threshold in 1993 "exiting" by		
	1994	1995	1997
Belgium	40.3	47.3	50.6
Denmark	41.4	51.1	51.1
France	40.9	47.8	50.7
Germany	43.0	47.1	55.9
Greece	40.1	44.0	49.9
Ireland	25.6	32.6	45.7
Italy	37.6	45.5	51.6
Netherlands	37.1	45.4	60.9
Portugal	28.8	37.1	42.7
Spain	40.5	48.8	50.1
UK	32.2	46.3	49.8

Source: Derived from ECHP User Data Base micro-data.

moderate initial exit rate but over the full time period has the highest percentage rate of people escaping poverty. Thus, when the observation period is lengthened to five years most countries are clustered around an exit rate of about 50 percent, with only Germany and the Netherlands significantly above that level and Ireland and Portugal well below it.

A range of comparative studies of income poverty dynamics have been produced by Eurostat, the OECD, and others (for example Whelan *et al* 2000, Layte and Whelan 2002). These show what the OECD has aptly summarised as the apparent paradox that poverty is both fluid and characterised by long-term traps. Many spells in poverty are short and represent only transitory set-backs. The number of people who are poor for an extended period of time is much lower than the number of people who are poor at one specific point in time. On the other hand, the typical year spent in poverty is lived by someone who experiences multiple years of poverty and whose longer-term income is below the income poverty threshold.This high degree of mobility should not lead us to conclude that poverty is mostly a transient phenomenon.

7 Who Is Poor and Why?

We have seen that EU countries differ in the overall proportion of those falling below relative income thresholds, but the types of individuals and households that are affected could still be very similar from one country to the next. The profile of those living in poverty has been analysed in some depth both in individual countries and in an EU-wide context. However, in the latter case most of the available research applies to the EU-15 rather than the EU-25. In many countries, research has highlighted some or all of the following population groups as being at risk: those with low levels of education and skills, low-income individuals, the unemployed, people with disabilities, single parents, large families, the elderly, children, ethnic minorities, migrants, and refugees. These would also be the types of persons/households that would be considered "vulnerable groups" by the National Action Plans on Social Inclusion, which is an initiative prepared by EU member states as part of the Social Inclusion Process.

The factors under-pinning such "vulnerability" are multi-faceted. From the perspective of economic analysis, the key problem for those at high risk of poverty is their limited capacity to generate enough income to pay for their household needs. This in turn reflects their relatively low productivity, which is due to low levels of education and skills, limited work experience, disability, or other factors. This results in non-employment or intermittent employment and to an inability to build up adequate pension entitlements and savings for retirement. Single parents or a couple with a large family may find it particularly difficult to meet their needs if their capacity to earn money is relatively low, and also if the welfare support structure reduces their incentive to work. The sociological perspective emphasises the social context for behaviour, including the role of norms, expectations and values in affecting the way people behave. While also highlighting the association between low education or skills and other disadvantages, for example, this points towards the importance of understanding *why* some families do poorly for generations. The potential impact of the immediate social environment (the neighbourhood) on behaviour and life-chances is also highlighted.

We can use the information from EU-SILC on the EU's social inclusion indicators, to assess the extent to which the same groups are at risk of poverty across the EU-25. First, we compare the poverty risk (using the 60 % of median threshold) facing persons of different ages – those of working age versus children versus older people. (In each case, the household is still being used as the income sharing unit, so it will be the income of their household rather than the individual's own income that determines whether they fall below the threshold.)

Table 7 shows the at-risk-of-poverty rate for persons of working age.

This displays a very similar pattern to the rate for all persons shown in Table 1. The countries with the highest rates are Ireland, Greece, Spain, Latvia, Lithuania, Poland and Portugal, where 19–20 % fall below this line. Estonia, Italy, Cyprus and the UK now have lower but still above-average rates. Belgium, Malta, Germany and France are below average, but not as low as Denmark, Finland, Luxembourg, Hungary, Austria, Slovakia and especially the Czech Republic, The Netherlands, Slovenia and Sweden. Germany has an at-risk-of-poverty rate for this age group that is 3 percentage points below the EU average, the same gap as that for all persons in the German case. If we express the rate for those of working age as a ratio of the corresponding rate for all persons in the country in question, we see in the final column of the table that, for most countries, the working-age rate is either the same as or slightly lower than the overall average. There are just three countries where it is significantly lower – Belgium, Spain and Cyprus – and none where it is higher (Table 7)

Table 8 looks at the at-risk-of-poverty rate for children. This table shows much more variation than the

Table 7: Poverty Risk for Persons Aged 16–64, EU Countries, 2005

Country	% below 60 % of median equivalised income in country	Poverty risk 16–64/risk for all persons
Belgium	14	0.8
Czech Republic	9	1.0
Denmark	12	0.9
Germany	13	0.9
Estonia	18	0.9
Ireland	19	0.9
Greece	20	0.9
Spain	19	0.8
France	13	0.9
Italy	18	0.9
Cyprus	17	0.7
Latvia	19	0.9
Lithuania	19	0.9
Luxembourg	11	0.9
Hungary	12	1.0
Malta	13	0.9
Netherlands	10	0.9
Austria	12	0.9
Poland	19	1.0
Portugal	20	0.9
Slovenia	10*	1.0
Slovakia	12	1.0
Finland	12	0.9
Sweden	10	1.0
UK	17*	0.9
EU-15 average	15	
EU-25 average	15	

Source: Eurostat (downloaded 8/5/2007); note: * = 2003

Table 8: Poverty Risk for Children, EU Countries, 2005

Country	% below 60 % of median equivalised income in country	Poverty risk children/risk for all persons
Belgium	19	1.3
Czech Republic	18	1.8
Denmark	10	0.8
Germany	13	1.0
Estonia	21	1.2
Ireland	22	1.1
Greece	19	1.0
Spain	24	1.2
France	14	1.1
Italy	24	1.3
Cyprus	12	0.8
Latvia	21	1.1
Lithuania	27	1.3
Luxembourg	20	1.5
Hungary	19	1.5
Malta	22	1.5
Netherlands	16	1.5
Austria	15	1.3
Poland	29	1.4
Portugal	24	1.2
Slovenia	9*	0.9
Slovakia	18	1.4
Finland	10	0.8
Sweden	8	0.9
UK	22*	1.2
EU-15 average	20	
EU-25 average	20	

Source: Eurostat (downloaded 8/5/2007); note: * = 2003

pattern of the working-age population. Overall, the at-risk rate for children is higher than that for persons of working age, with 20 % of children living below the threshold. In a majority of countries, the risk-of-poverty rate is higher for children than for all persons, but there are five countries where it is lower – Denmark, Cyprus, Slovenia, Finland and Sweden. Among those countries where the rate for children is higher, the gap between children and other persons varies significantly – for some countries it is no more than 10 or 20 % higher, but for four countries (Luxembourg, Hungary, Malta and the Netherlands) it is 50 % higher and for one country (the Czech Republic) it is 80 % higher (Table 8).

In Table 9 we see that the at-risk-of-poverty rate for older persons – aged 65 or over – shows even more variation, both in terms of level and compared with the overall average for the country. The percentage falling below 60 % of median income ranges from as low as 5–7 % (in the Czech Republic, Luxembourg, Hungary, the Netherlands, Poland and Slovakia) to as high as 28–29 % in Spain, Greece and Por-

Table 9: Poverty Risk for Older Persons, EU Countries, 2005

Country	% below 60 % of median equivalised income in country	Poverty risk elderly/risk for all persons
Belgium	21	1.4
Czech Republic	5	0.5
Denmark	18	1.5
Germany	15	1.2
Estonia	20	1.1
Ireland	33	1.7
Greece	28	1.4
Spain	29	1.5
France	16	1.2
Italy	23	1.2
Cyprus	51	3.2
Latvia	21	1.1
Lithuania	17	0.8
Luxembourg	7	0.5
Hungary	6	0.5
Malta	15	1.0
Netherlands	5	0.5
Austria	14	1.2
Poland	7	0.3
Portugal	28	1.4
Slovenia	19*	1.9
Slovakia	7	0.5
Finland	18	1.5
Sweden	11	1.2
UK	24*	1.3
EU-15 average	20	
EU-25 average	19	

Source: Eurostat (downloaded 8/5/2007); note: * = 2003

tugal, 33 % in Ireland and over 50 % in Cyprus. Compared with the rate for all persons, the rate for older people is generally higher but there are exceptions – notably the Czech Republic, Luxembourg, the Netherlands, Poland and Slovakia – where it is a good deal lower (Table 9).

Focusing on the risk of poverty for different age groups in this way, shows that there is very considerable variation across countries not just in the overall percentage of those who are at risk but in "relative risk" – the position of different groups vis-à-vis the average risk for the country. This serves to caution against the notion that essentially the same types of individuals and households are at risk of poverty everywhere. The OECD study based on data for the second half of the 1990s (and with a threshold of 50 % of median income), makes the same argument in relation to children – saying for example that "these differences suggest that specific factors increase risks of poverty for children in some OECD countries" (p. 33). We see similar variations when focusing on other groups that are generally thought of as being vulnerable. Table 10 compares the at-risk-of-poverty rates for adults who are unemployed, retired or inactive with those adults who are employed (as an employee or self-employed). We see that the unemployed face a significantly heightened risk everywhere – their rate is always much higher than that for an employed person in the same country. However, the scale of that gap varies widely: the rate for the unemployed is as much as 8 times that of the employed in Belgium, Germany, Estonia, Ireland, Malta and the UK and the gap is even greater in Finland and the Czech Republic. On the other hand, it is no more than 4 times the rate for the employed in Greece, Spain, Poland and Portugal. The rate for the employed is particularly high in this latter group, notably because of the proportion of the workforce employed in agriculture. In conclusion, the point being made is that being unemployed carries a severe "penalty" with it (Table 10).

When we look at poverty risk by household composition type in Table 11, we see that there are commonalities in the relative risk faced by different types. Households comprising a working-age couple with no children are much less likely to be below the 60 % threshold than single working-age adults in every country, but the gap is much wider in some countries than in others. For couples with children, there is generally little difference in risk for those with one child versus couples with two children. Indeed, the level of risk they face is often similar to that for couples with no children. However, the risk is considerably higher for those couples with three or more children than for those with one or two children. Single parents face much higher risks than couples with one or two children, and most often are at greater risk of falling under the poverty line than couples with three or more children, but the gap between these groups varies a good deal (Table 11).

This mix of commonalities and variations across countries concerning these risk patterns – which would be repeated if we focused on differences in levels of education, for example – has major implications for being able to understand the processes at work. Clearly, there are some characteristics of par-

Table 10: Poverty Risk in EU-25 Countries by Labour Force Status, 60 % of Median Threshold

Country	% below 60 % of median equivalised income in country			
	employed	unemployed	Retired	Other inactive
Belgium	4	31	18	25
Czech Republic	3	51	6	16
Denmark	5	26	16	28
Germany	5	43	14	18
Estonia	7	60	23	29
Ireland	6	47	30	33
Greece	13	33	25	25
Spain	10	35	25	28
France	6	29	13	25
Italy	9	44	16	28
Cyprus	7	37	49	19
Latvia	9	59	24	31
Lithuania	10	63	17	29
Luxembourg	9	47	6	14
Hungary	10	49	10	17
Malta	6	46	17	18
Netherlands	6	27	5	18
Austria	7	47	12	22
Poland	14	46	11	27
Portugal	14	29	25	29
Slovenia*	4	38	14	16
Slovakia	9	39	7	19
Finland	4	35	17	23
Sweden	5	26	10	22
UK*	7	54	25	34

Source: Eurostat (downloaded 8/5/2007); note: * 2003

ticular individuals and households that predispose some people to have a relatively low level of income compared to their needs. Limited education/skills and the makeup of the household are the most obvious examples. However, the extent to which these manifest themselves in high at-risk-of-poverty rates, either in terms of risk level or relative to other groups in the same country, depends on other factors, notably labour markets and institutional settings that amplify these disadvantages. For example, the unemployed face increased risks of falling under the poverty line almost everywhere. However, the amount of the "penalty" they pay compared with others depends on whether they have dependants, whether there are others in the household that work, and how the welfare state and its institutions try to cushion the impact of unemployment, most importantly through social protection. To take another example, single parents generally face a much higher risk of falling into poverty than couples with children, but as OECD (2005) points out, in many countries it is not the fact of living in a single-parent household *per se* that increases risks, but rather the employment status of that parent; in some countries, the poverty rate among single parents with a job is not that much different from the overall rate for couples with children. Of course, the level of support provided to children in single parent households with the help of taxes and the welfare system also plays an important role.

The way welfare support is structured, may of course alleviate the impact of unemployment or single parenthood in the short term, but at the risk of trap-

Table 11: Poverty Risk in EU-25 Countries by Household Type, 60 % of Median Threshold

Country	% below 60 % of median equivalised income in country					
	I adult[a]	Couple[a]	Lone parent	Couple + 1 child	Couple + 2 children	Couple + 3 or more children
Belgium	18	8	36	9	10	21
Czech Republic	19	7	41	9	11	25
Denmark	28	5	21	4	5	14
Germany	29	11	30	10	7	13
Estonia	32	15	40	13	12	25
Ireland	34	14	45	12	13	26
Greece	19	15	43	14	18	33
Spain	19	11	37	14	23	36
France	18	8	26	8	9	20
Italy	21	10	35	15	22	35
Cyprus	27	14	35	9	9	14
Latvia	37	19	31	14	18	39
Lithuania	30	17	48	15	18	44
Luxembourg	17	6	32	13	17	20
Hungary	26	9	27	15	15	26
Malta	26	13	51	13	15	35
Netherlands	17	7	26	9	10	20
Austria	17	9	27	9	11	20
Poland	26	14	40	17	23	45
Portugal	32	16	34	17	25	39
Slovenia*	30	8	25	4	8	9
Slovakia	23	10	32	13	17	24
Finland	26	6	20	7	5	12
Sweden	20	5	18	4	4	9
UK*	24	11	40	13	12	27

Source: Eurostat (downloaded 8/5/2007); note: * 2003; [a] less than 65 years.

ping recipients in dependency and poverty in the long term. It is therefore important to take a dynamic approach, using longitudinal data to look at the variation in poverty across many groups of individuals and households, which also helps to shed light on the processes at work. Econometric modelling of poverty dynamics, for example, generally attempts to link observed movements into or out of poverty over time to changes in the earnings, labour force participation and composition of the household.[8] The key distinction made, is between income "events", such as changes in earnings, benefits, or investment income and demographic "events" such as the arrival of a new child, marriage, death, marital dissolution, or adult offspring leaving home.

The results that the analysis of poverty dynamics by the OECD shows, are that changes in household structures may be less important in determining poverty levels in European countries than in the USA. Using three-year long studies, the OECD (2001) analysis showed that for the European countries in the ECHP, 25 percent of those entering poverty and 15 percent

8 Individual country studies include Jarvis and Jenkins (1997) and Jenkins and Rigg (2001) for the UK, Canto Sanchez (2003) with Spanish data, Muffels (2000) for the Netherlands, Schluter (1997) for Germany, van Kerm (1998) for Belgium. Cross-country studies using data from the ECHP include OECD (2001), Whelan *et al* (2000), Layte and Whelan (2002), Fouarge and Layte (2005).

of those rising above poverty level, coincided with events such as marriages, births or the establishment of a new family. Such family-related events were observed more frequently in North America and were responsible for 41 percent of those dropping below and 31 percent rising above the poverty line and 37 percent of those dropping below and 27 percent rising above the poverty line in the USA. Separation or divorce was the most common family-related event associated with falling below the poverty line in both the EU and North America. Marriage was associated with a large number of persons rising above the poverty line in North America. This can not be said for the EU. There was also a particularly strong association between job-related events – such as a change in the number of employed persons in the household, in the number of months they worked, or in earnings – and poverty transitions. Family and job-related events can be linked, and the number of workers in the household often changes because someone joins or leaves the household. However, the importance of labour market changes themselves were evident as well. Changes in transfers as well as earnings were important factors in the EU and to a lesser extent in Canada, but much less so in the USA. Another study (confined to the ECHP) that used five waves of data (Layte and Whelan 2002) confirmed that most poverty transitions in EU-15 countries were associated with job and income-related events rather than changes in household size and composition.

The impact of individual and household characteristics can also be studied in relation to overall experience of poverty over a specific time period. The analysis of three-year panels by the OECD showed that the age and gender of the head of the household, levels of education, the number of workers in the household, and family composition have a substantial impact on the ability to escape poverty and on the likelihood of being poor for an extended period of time. Exit rates (out of poverty) were affected most significantly by the level of education of the head of the household, whereas the risk of being poor for an extended amount of time, was affected most by the number of workers in the household. An analysis of 6 or 8 year long panels that are available for Canada, Germany, the UK and the USA demonstrated the extent to which poverty is experienced over that period according to varying individual and household characteristics (see also Valletta 2004). To take an extreme case, a child in a family with a young single head of household with little education and no workers in the family was predicted to spend 3.5 years in poverty in Canada, 4.7 in Germany, 5.6 in the UK, and 7 years in poverty in the USA; compare this with a predicted poverty experience of only 0.5, 0.2, 0.7 and 1.1 years respectively in the same countries for a working-age couple with medium-level education and children.

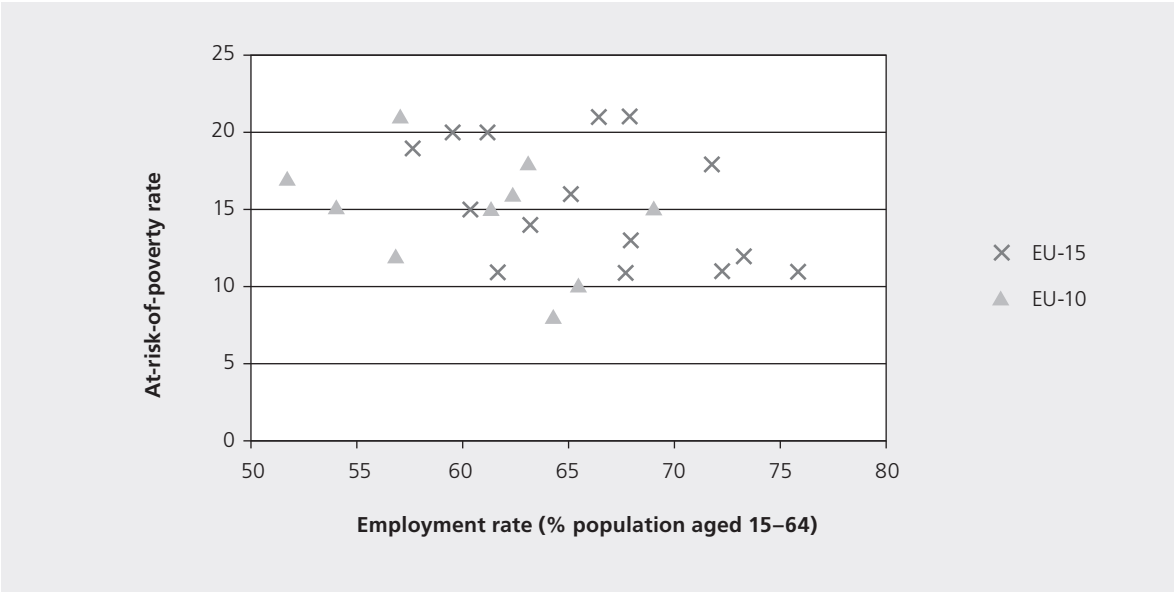
8 Why Is Poverty Higher in Some Countries than in Others?

Why is there considerably more poverty (at least as measured vis-a-vis relative income poverty thresholds) in some countries than in others? While there has been a good deal of research focused on this question, a comprehensive overall explanation has yet to emerge – but one can point to some of the factors that seem to be at play, and others that, perhaps surprisingly, do not seem quite as important.

A natural place to start thinking about poverty in a medium or long-term perspective is with the ability of an economy to remain competitive, with losses of competitiveness being reflected in low levels of economic growth and persistently high unemployment and that being associated with high levels of poverty. In a similar vein, with a shorter time horizon one can focus on conjunctural factors – the stage in the economic cycle – where unemployment may be particularly high in the depths of a recession but with the prospect of bounce-back. In an increasingly globalised economy, competitiveness and jobs are more than ever seen as the *sine qua non* (the solution) to reducing poverty. However, when we turn to the data, it is not as easy as might be expected to detect such strong links. If for example we compare poverty risk levels and the employment rate in EU-25 countries, we find a rather weak relationship. Figure 1 (reproduced from Marlier *et al* 2006, Figure 3.16, p. 91 and using data for 2003–04) shows that for the "old" EU-15 there is a modest negative association, but for the EU-25 the relationship is weaker. Although the greatest number of countries are found in either the part of the graph that shows below-average employment combined with above-average poverty risk or vice versa, there are also countries that combine below-average employment with below-average poverty risk (notably Belgium, Hungary, Malta and Luxembourg), and others with high employment and above-average poverty risk (such as Ireland, Portugal and the UK).

To understand why this is the case, it must be noted that an increase of the employment rate may not necessarily lead to corresponding reductions in the numbers of at-risk-of-poverty persons. The first reason why this is not the case, is that someone who is employed may not receive a take-home wage that is higher than the income they receive while not employed – many of the jobs available may not pay

Figure 1: Employment Rate and Poverty Risk, EU-25



Source: Reproduced from Marlier *et al* 2006

enough to lift households out of poverty, and even where the wage is reasonably adequate, high marginal taxes and benefit withdrawal rates may mean that there is little net gain. The problem of living under the poverty line while being employed, is receiving increasing attention. Bardone and Guio (2005) noted that it "certainly represents progress in the policy debate about the fight against poverty" (P. 8). Their analysis of data for the EU-15 suggested that about one-quarter of those aged 16 and over who were at risk of falling into poverty were employed. Job growth may not always benefit jobless households, instead it may primarily affect those households where someone is already employed. This may compound the problem for jobless households by raising the relative poverty threshold.

The weakness of the employment rate-poverty rate relationship is not just a cross-sectional observation, as is illustrated by Marlier *et al*'s (2006) country to country comparisons of changes in the employment rate and the at-risk-of-poverty rate for the EU-15 from 1994 to 2000. This shows employment rates rising in most countries, but diverging trends in the risks of falling into poverty. In six countries, the employment rate rose and the at-risk-of-poverty rate fell, as might have been anticipated. However, in five countries the employment rate rose but the at-risk-of-poverty rate did not change, while in three countries the employment rate rose but so did the at-risk-of-poverty rate. Studies of individual countries have captured this variation in more detail: for example, poverty risk levels rose in Sweden when unemployment rose in the early 1990s, but sharply rising unemployment in the UK from the 1970s to the 1980s had no such impact, and when unemployment fell there in the 1990s, the poverty rate remained unchanged (see Hills, 2004). Ireland during the period from 1995 on, provides a dramatic example of a country with very rapid employment growth and declining unemployment (from 16 % to below 4 %), yet the at-risk-of-poverty rate rose sharply over the same time period.

A key element of these developments is the way that the at-risk-of-poverty threshold itself moves over time – especially relative to welfare support levels. In the Irish case, for example, the pace of economic growth was such that the relative income threshold rose very rapidly, so that welfare support levels – although rising substantially in real terms – did not keep pace and at-risk-of-poverty rates for those depending on welfare rose sharply. A more muted version of the same process can be seen in other countries. When Marlier *et al* repeated their comparison of trends in the employment rate and the poverty rate from the mid-1990s, but used a poverty threshold anchored in real terms (i.e. only updated by inflation), most countries now saw a decline in poverty to accompany their increasing employment rates. So, focusing exclusively on purely relative income thresholds may miss an important part of the story. In addition, as Förster and d'Ercole (2005) point out, countries with higher employment rates (in particular for women) display lower *market income* poverty rates – that is, before taxes

and transfers have been taken into account. So the interaction between the labour market, taxes, welfare systems, and developments in private households is key.

From a German perspective, the relationship between employment/unemployment and relative income poverty has particular salience. The increase in the overall risk of the poverty rate in the late 1990s and early 2000s – reported by the official government Poverty and Wealth Report – has been linked explicitly to increased unemployment; Germany over this period has of course faced a particularly high level of unemployment, with overall unemployment nearing 10 % and long-term unemployment reaching 5 % (compared with an average of 3 % in the EU-25) by 2005. The strategy of promoting social inclusion described in the recent German national report on social inclusion, which was prepared as part of the EU's Social Inclusion process, thus places very considerable emphasis on the labour market. This discussion elucidates the fact that an automatic transition from an increase in employment numbers to reductions in the at-risk-of-poverty rate cannot be taken for granted. Only if those below the poverty threshold benefit in substantial numbers will such a result occur. (Measures intended to enhance the labour market participation of low-qualified workers, migrants, older workers and young people are part of the current German strategy, and seem to have potential in this regard.) The percentage of persons currently living in jobless households is quite high for some household types (notably single adults). Making sure that reductions in unemployment have the maximum impact on reducing the number of jobless households is particularly challenging. Furthermore, the nature of the jobs created is also a key element: Germany currently has a poverty risk for the employed of 5 %, which as we saw, is not particularly high compared with other EU countries but is still quite substantial. There also exists a possibility that this percentage might increase if the jobs created are not "good jobs" and/or social welfare structures are not maintained.

It is tempting to try to explain cross-country differences in poverty risk levels by focusing on the size of other vulnerable groups, such as retirees or single parent families. It is certainly the case that differences and changes in household structures can be important – for example, the proportion of elderly persons living alone, or the proportion of children living with only one parent have a significant impact. An analysis by the OECD shows for example that changes in family structures led to a worsening of poverty rates among children in a significant number of countries in the 1990s, and explained why relative income poverty among the elderly is concentrated among the very old and those living alone. Table 12 shows that there exists considerable variation across the EU-25 Member States in terms of the size of their child and elderly populations. The percentages of the populations under 16 years of age, varies from 15 to 22 % (with Germany at 15 % at the bottom of the range), while the proportion aged 65 or over varies even more, from 11 % up to 19 % (with Germany at 19 % at the top of the range). However, if we focus on the proportion of the population who are of working age – and therefore potentially not "dependant" – only five

Table 12: Composition of Population by Age, EU Countries, 2005

Country	% Under 16	% 16–64	% 65 or over
Belgium	19	65	16
Czech Republic	16	70	14
Denmark	20	65	15
Germany	15	66	19
Estonia	17	67	16
Ireland	22	67	11
Greece	16	66	18
Spain	15	68	17
France	19	65	16
Italy	15	66	19
Cyprus	20	68	12
Latvia	16	67	17
Lithuania	19	67	15
Luxembourg	20	67	14
Hungary	17	68	15
Malta	19	66	15
Netherlands	20	67	13
Austria	17	67	16
Poland	18	69	13
Portugal	17	66	17
Slovenia	15	69	15
Slovakia	16	71	12
Finland	19	65	16
Sweden	21	63	16
UK	19	64	17
EU-15 average	17	66	17
EU-25 average	17	66	17

Source: Eurostat (downloaded 31/5/2007)

Table 13: Composition of Population by household Type, EU Countries, 2005

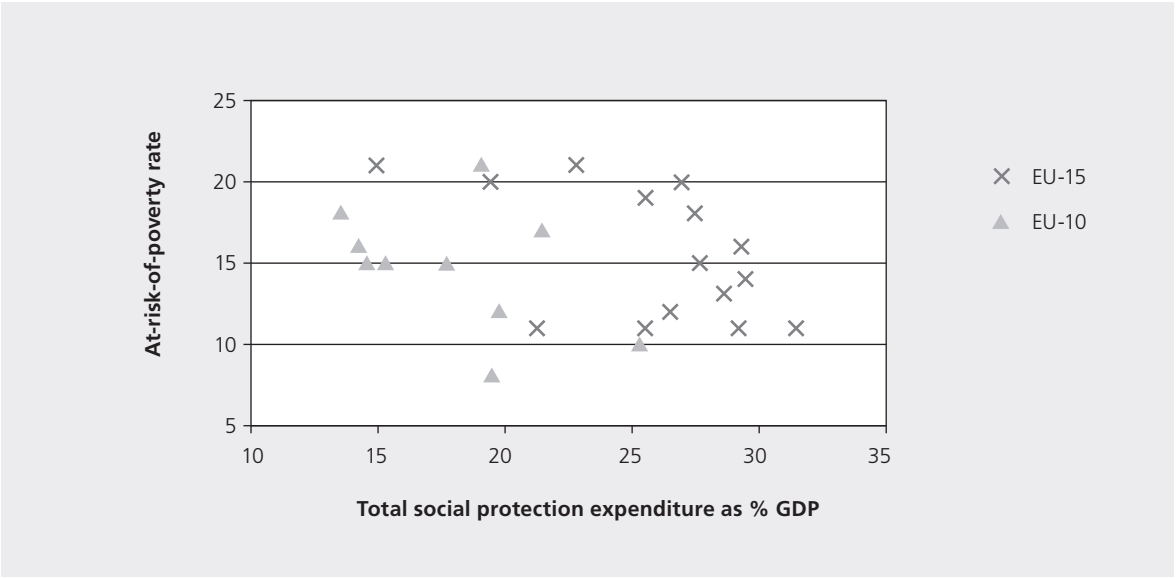
Country	% Single adult 65+	% Couple 65+	% Single adult with child(ren)	% Couple with 3+ children
Belgium	5	10	6	13
Czech Republic	4	10	4	5
Denmark	7	9	7	10
Germany	5	14	8	8
Estonia	6	9	7	7
Ireland	4	7	7	15
Greece	4	12	2	2
Spain	3	10	2	5
France	6	11	5	5
Italy	6	12	2	9
Cyprus	3	9	3	5
Latvia	5	9	6	11
Lithuania	5	9	6	5
Luxembourg	4	9	3	7
Hungary	6	9	5	13
Malta	4	9	2	8
Netherlands	5	9	4	9
Austria	5	9	4	13
Poland	4	7	3	8
Portugal	4	10	3	8
Slovenia	4	8	3	4
Slovakia	5	6	3	6
Finland	6	10	5	12
Sweden	7	10	8	11
UK	7	11	9	7
EU-15 average	5	11	6	7
EU-25 average	5	11	5	8

Source: Eurostat (downloaded 31/5/2007)

countries are found outside the relatively narrow range of 64 % to 68 % (Germany is right at the EU-25 average of 66 %). While one of the countries with an exceptionally high proportion of citizens that are of working age – the Czech Republic – has a very low at-risk-of-poverty rate, the same is true of Sweden, which has one of the smallest working-age populations (Table 12).

Table 13 shows the proportion of household types that are typically thought of as "vulnerable". Namely elderly singles, elderly couples, single parents, and couples with three or more children. We see that there is significant variation across countries in the size of these groups, but that often countries which are above average in one or two of the groups, are below average on the others, and there is no obvious significant relationship between the importance of these population groups and the overall at-risk-of-poverty rates we saw earlier. For example,, while the Czech Republic – with its very low at-risk-of-poverty rate – is once again below average in terms of the size of all four groups, Denmark and Sweden are above-average on three of the four but also have low poverty rates; Greece, Spain and Portugal have a high poverty

Figure 2: Social Protection Expenditure (2001) and Poverty Risk (2003), EU-25



Source: Reproduced from Marlier et al 2006

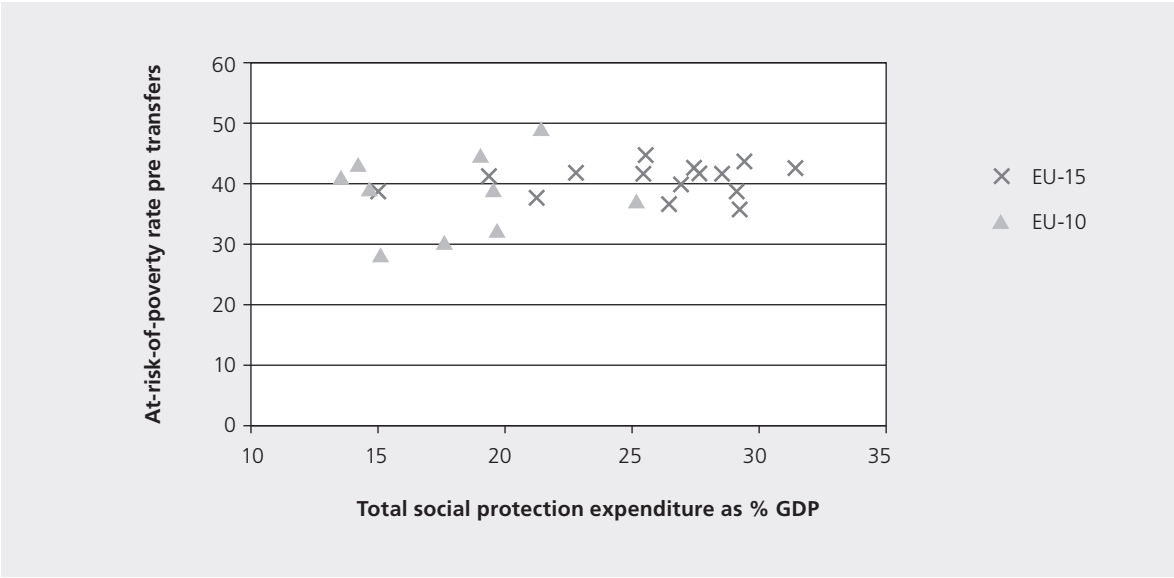
rate despite being below-average in terms of the size of three of the four groups (Table 13).

So, at-risk-of-poverty rates cannot be explained or predicted simply by the size of a common set of "vulnerable groups". This reflects the fact that, as we have seen, there is also a good deal of variation across countries in terms of the risks of falling into poverty that is associated with membership of such a group: both the household setting and the country's income support and broader welfare institutions can very much alleviate the poverty risk associated with such states or characteristics. This is illustrated most effectively by looking at a country like Italy that has a large elderly population but that has a low poverty risk for that group – below the average for the country as a whole – because of its particularly generous pension system. Differences in demographic profiles can only go so far in explaining differences in poverty rates across countries, and their effects are difficult to disentangle from the institutional settings in which they are found.

Focusing on welfare, then, the level of social welfare expenditures is a commonly-used indicator for "welfare efforts". If we compare social protection expenditures (as a percentage of GDP) with poverty risk levels, we get the pattern shown in Figure 2 (see Marlier et al 2006, Chapter 3). We see that the countries are scattered around the graph, with EU-10 countries generally having lower social protection expenditures than those of the EU-15, but also often relatively low at-risk-of-poverty rates. There are of course major structural differences between the majority of the new Member States and the "old" 15 due to their communist past, but even if one focuses on the EU-15, the relationship between levels of social expenditures and poverty risk is rather varied – the same level of poverty risk can be seen in countries with very different levels of social welfare expenditures. What one can say, though, is that no EU-15 country achieves a low risk-of-poverty rate without significant social spending (with Luxembourg coming closest to doing so).

As the EU Commission has pointed out, the way the social welfare system is structured, as well as the overall level of spending (and how it relates to the age structure of the population), is highly relevant. Some countries achieve considerably larger reduction in poverty than others per euro spent, by targeting low-income groups (though certain types of targeting mechanisms can have negative side-effects as we will discuss shortly). A simulation exercise by Van den Bosch (2002) showed that increasing social protection expenditures had much less impact on the at-risk-of-poverty rate in many countries than a simple extrapolation from the cross-country comparisons would suggest. Indeed, in the case of Italy this actually increased the at-risk-of-poverty rate because the expenditure costs mostly did not go to those below the poverty line and had the impact of raising the threshold itself, while higher taxes and contributions that paid for the additional social spending impacted those individuals with low incomes. The broader lesson is that the institutional details, the way social protection is structured and delivered, matter a great deal to the anti-

Figure 3: Social Protection Expenditure (2001) and Pre-Transfer Poverty Risk (2003), EU-25



Source: Reproduced from Marlier et al 2006

poverty impact. This is also elucidated by the comparative study by Callan et al (2004), which showed that differences in both levels of social spending and social structures went a long way towards explaining why Ireland has a much higher at-risk-of-poverty rate than Denmark and the Netherlands. The difference between levels and structures of spending may be particularly important in post-communist Member States that have seen a major revamping of their social welfare programs.

While the impact of social protection has to be analysed and interpreted with great care, it is nonetheless important to be aware of the fact that the at-risk-of-poverty rate before such transfers are received does not actually vary greatly across the EU-15. As Figure 3 shows, it is around 40 % in most of the old Member States, with more variation among the 10 new members, but 21 of the Member States have figures in the range of 35 % to 45 % for pre-transfer poverty risk. The countries that achieve the lowest post-transfer rates are those that employ social welfare most effectively. As Förster and d'Ercole (2005) note, the combined effect of taxes and benefit systems in many countries is to lift more than half the population above the threshold of relative poverty. This effect, however, ranges from one-quarter in the USA to over two-thirds in Denmark; furthermore, it declined in most OECD countries during the second half of the 1990s as the growth in real benefits often lagged behind median disposable income.

Of course, social spending has to be financed, with the taxes and contributions required to do so generally imposing an efficiency cost, while – depending on how it is structured – social spending itself can have counter-productive effects by blunting or removing incentives to work and save. However, recent research has also emphasised the role that social security (and the welfare state more broadly) can play as a "productive factor", by providing security that potentially encourages people to invest and take risks that they otherwise would not. Again, the balance of costs versus benefits in terms of the overall impact on poverty will depend on detailed institutional structures rather than aggregate spending or tax "burdens". Some of the reforms to the tax and welfare systems aimed at improving incentives and implemented in recent years in various countries, may have contributed to higher employment and lower market-income poverty rates, but on the other hand the direct impact of taxes and transfers by reducing the numbers of those at risk of poverty may have declined.

By attempting to move beyond the analysis of individual countries, it has become common to group them into welfare "regimes" – conceptualised in terms of the constellation of socio-economic institutions, policies and programmes, which countries have adopted to promote their citizens' welfare. Esping-Andersen's influential study distinguished between 'social democratic', 'corporatist' and 'liberal' welfare regimes. This terminology has now become standard, with a strong case being made for adding a fourth: "Southern" welfare regime or sub-protective welfare

states".[9] Among the EU-15, countries of the liberal and Southern regimes have above-average at-risk-of-poverty rates while those in the corporatist and especially the social democratic regimes have relatively low rates. The other "Anglo-Saxon" countries Canada, USA, Australia and New Zealand, which are categorised in the liberal regime, also have relatively high percentages of citizens living below relative income poverty thresholds. Ritikallio and Fritzell (2004), for example, conclude that, based on relative income poverty rates derived from LIS data, the sub-set of countries they study, group themselves very clearly by welfare regime, and that if anything, this was clearer in 2000 than it had been in 1980. In 1980 there was no difference between the Nordic and corporatist countries they studied (Finland, Norway and Sweden versus Belgium, Germany and the Netherlands), whereas by 2000 the latter had considerably higher poverty rates. The Southern countries and the Anglo-Saxon ones had much higher poverty rates throughout.

From a longitudinal perspective, the pattern of poverty dynamics can also be compared across countries to see whether it varies systematically within a welfare regime. On the basis of the evidence we discussed earlier, some countries in the liberal regime – Canada and especially the USA – do appear unique, with substantially higher rates of persistence/lower rates of escape from poverty than the EU countries. However, the other countries in the liberal regime – Ireland and the UK – displayed much higher escape rates, with the UK for example not looking very different from Germany, which is the classic example of a corporatist regime. At the other end of the spectrum, Denmark certainly has a distinctively high level of people escaping poverty and low levels of people being poor for extended periods of time. Among the southern countries, there was considerable variation, with Portugal having a very high level of poverty persistence but Greece, Spain and Italy being much less so. So, as far as poverty dynamics are concerned, the explanatory power of the welfare regime perspective seems to be limited to distinguishing either end of the spectrum: the USA and Canada at one extreme and the social democratic/Scandinavian countries at the other. This still does not explain why other countries of the liberal regime are much closer to other EU countries than to the USA and Canada. (It is often casually assumed that the USA has a high cross-sectional poverty rate but high levels of mobility, so people are not trapped in poverty or welfare dependency as long as in some countries with lower poverty rates, but the evidence suggests that the opposite is the case.) Econometric studies have also tried to account for differences in individual and household characteristics and see whether there remain significant differences across welfare regimes in terms of predicted poverty durations or experiences once such differences have been taken into account. For example, Fouarge and Layte's (2005) study of poverty dynamics using five waves of ECHP data show that countries in the social democratic regime do a better job of preventing both short-term and long-term poverty. Those in the liberal and southern regimes display much longer durations of poverty, and corporatist countries are in an intermediate position.

So, the welfare regime perspective explains to a certain degree why some countries have higher at-risk-of-poverty rates than others, but this is not the whole story. Clearly countries differ not only in welfare and other institutional structures, like in terms of proportions of older people, single parents, unemployed individuals etc., and also in the degree of inequality in the distribution of income. Recent studies have shown that the explanations for cross-country differences in poverty rates are best addressed not in terms of welfare states versus markets, but rather in the interactions between them. For example, Ritakallio and Fritzell (2004) use data from the Luxembourg Income Study to simulate the impact of differences in demographic structures, labour market conditions, and welfare programmes among a set of EU-15 countries from different welfare regimes. For example, they look at what at-risk-of-poverty rates would be in countries like Belgium and the Netherlands if they had the same population profile as Sweden in terms of age, marital status, children and labour force participation. Their results show that if two-income households or single working persons were as common in those countries as they are in the Nordic countries, their poverty rates would decline dramatically. Of course, household and labour market outcomes are not independent of welfare state structures, and some of the cross-national variations in poverty rates persists even when differences in demographic structures and labour market participation have been taken into account. So, "it is clearly in the nexus of family and the welfare state that we find the most marked difference between the Nordic countries and the continental ones" (p. 20). This may be taken as a reasonable summary of the current state of knowledge about cross-country differences in at-risk-of-poverty rates, particularly if we see it as the "family-labour market-welfare state" nexus.

Rather than simply looking at cross-sectional comparisons, one can also look for clues on how to reduce the risk of poverty by looking at individual country

9 See for example Ferrera (1996), Gallie and Paugam (2000), Arts and Gleisen (2002).

experiences over time, in particular as particular policies or broader strategies are implemented. This is difficult to do, not least because the linkage between implemented policies and outcomes is often very hard to trace, and policies are framed in a way that is specific to the each country. However, it may still be possible to draw some general conclusions. In relation to the strategy of tackling poverty by concentrating on growth and jobs, we have already referred to the mixed experience in terms of trends in at-risk-of-poverty rates as overall employment rates have moved up or down. (The Irish experience is particularly informative in that respect; indeed, the relatively modest increase in Germany's at-risk-of-poverty rate as unemployment rose in the 1990s, also make this point). It is important to stress that even some Member States with relatively high overall employment rates – including Germany and the UK – have above-average proportions of working-age persons living in jobless households. Between 2001 and 2005, the proportion of working-age adults living in jobless households remained essentially unchanged in the EU. Reducing this number means tackling particularly hard-to-reach groups such as the long-term unemployed, migrants, and those with disabilities (who in many countries have high unemployment or inactivity rates). The OECD's in-depth analysis of poverty trends in the second half of the 1990s is particularly relevant here: its findings that a decline of workless households contributed to a reduction in poverty in a significant number of countries (not including Germany), but that in most cases these positive developments were offset by a reduction of the effects of taxes and transfers in reducing poverty are very significant. Germany's high overall employment rate and highly-developed social welfare system clearly underpin its current relatively low at-risk-of-poverty rate; substantial reductions in that rate are unlikely to come simply from increases in employment, without maintaining and indeed strengthening the social support mechanisms provided to those who have no or only minimal work income. This is relevant not only for those of working age (and their children currently in households at risk of poverty) but also for reforming the pension system in the face of the demographic pressures which Germany and many other Member States face.

This discussion, like most of the research literature, has focused on poverty that stems strictly from relative low income. We will briefly discuss other dimensions of poverty and social exclusion in the next section, but in concluding this income-focused discussion it is worth returning to the issue mentioned at the outset, of how the income threshold is determined. While the bulk of our discussion has been focused on relative income thresholds that are set as proportions of median income within the country in question, we have also noted that 1) the cross-country pattern would look very different if a common relative income threshold derived as a proportion of median income across the whole EU was used; and 2) trends over time would look very different (and usually much more positive) if the income threshold was up-dated over time in line with prices rather than average incomes in the country in question. These are to some extent inter-related, since a move towards an EU-wide threshold might be seen as implying a more "absolute" notion of poverty. Without going into the underlying conceptual issues in any depth, it is worth drawing attention to a comment from the EU's 2004 Joint Report on Social Inclusion:

"An absolute notion is less relevant for the EU for two basic reasons. First, the key challenge for Europe is to make the whole population share the benefits of high average prosperity, and not reach basic standards of living, as in less developed parts of the world. Secondly, what is regarded as minimally acceptable living standards depends largely on the general level of social and economic development." (p. 14) Marlier *et al* (2006) on the other hand, argue that using a common EU-wide income threshold to produce a background "context statistic" as a complement to (not instead of) at-risk-of-poverty rates based on country-specific thresholds would address the key issue of social cohesion/convergence across the Union rather than trying to capture absolute poverty. It certainly seems important not to lose sight of this, and of improvements of the living standards of those at risk of poverty by assessing progress over time at both individual country and EU levels.

9 Other Dimensions of Social Exclusion

As noted in the introduction, it is now commonplace to emphasize the multifaceted nature of social exclusion, both at the research and policy levels – including at the highest EU level, for example in the 2005 Spring Summit Presidency Conclusions. This is reflected in the fact that the EU's Social Inclusion indicators go well beyond income, and are to include other critical dimensions such as education, housing and health. It has been difficult to identify satisfactory indicators from available data for some dimensions, and the analysis of the inter-relationships between the various non-monetary dimensions and income within individual countries is still at a relatively early stage.

However, on the basis of the available indicators and studies, it is relatively clear that the rankings of countries can vary a good deal depending on the dimension and indicator chosen. Marlier *et al* (2006) for example, compare country rankings for the EU-25 on four indicators drawn from the agreed common set being used in the social inclusion process: income poverty risk, long-term unemployment, the proportion of working-age adults living in jobless households, and the share of persons aged 18–24 who have only secondary education and are not currently enrolled in school or training programs – they are called "school drop-outs". The results, reproduced in Table 14 (with countries listed in the order of their ranking on the at-risk-of-poverty rate), show that there are many substantial differences in rankings of Member States in terms of even just these four indicators. To single out just a few examples, the Czech Republic is ranked first in terms of the at-risk-of-poverty rate but 18th in terms of long-term unemployment; Finland is tied for 3rd in at-risk-of-poverty rates and 19th in the proportion of adults in jobless households; Poland ranks only 17th in terms of at-risk-of-poverty rates but 1st in terms of early school drop-outs. The data are not the most up-to-date, with the at-risk-of-poverty statistics coming from 2003. which are mostly pre-EU-SILC (which is why Germany and Slovakia are not ranked higher on that indicator), but they do serve to illustrate the general point that one cannot predict other aspects of social exclusion simply on the basis of relative income poverty rates.

While this applies at the aggregate level, studies using micro-data have also demonstrated at the level of the individual/household that low income may not

Table 14: Rankings of EU-25 Member States on Four Social Inclusion Indicators, 2003–2004

	At-risk-of-poverty rate	Long-term unemployment	Adults in jobless households	Early school Leavers
Czech Republic	1	18	7	2
Slovenia	2	12	5	:
Denmark	3	3	12	4
Luxembourg	3	2	3	12
Finland	3	9	19	6
Sweden	3	3	:	5
Hungary	7	10	22	11
Netherlands	7	7	8	15
Austria	9	5	15	7
France	10	15	18	16
Belgium	11	15	23	9
Cyprus	11	6	1	20
Lithuania	11	22	4	8
Malta	11	13	10	24
Germany	15	21	21	10
Latvia	15	19	9	19
Poland	17	24	24	1
Estonia	18	20	12	14
UK	18	1	19	17
Italy	20	17	16	21
Greece	21	22	12	17
Spain	21	13	5	22
Ireland	23	7	11	12
Portugal	23	11	2	23
Slovakia	23	25	17	3

Source: Marlier et al 2006, Box 3.2, p. 80; underlying data from Joint Report on Social Inclusion, EU Commission 2006, Annex 1.

identify those who are unable to actively participate in their societies due to lack of resources. This has been demonstrated in a variety of studies of different industrialised countries that use non-monetary indicators of deprivation.[10] Such indicators are based on survey questions that ask people whether they have items such as a car, a television or a washing machine, or whether they can do certain things such as eat regularly, heat their home adequately, go on holidays, or invite friends for a social occasion. Generally, a significant proportion of those below income poverty thresholds do not score (relatively) high deprivation scores in terms of such non-monetary indicators, whereas some households above the income lines do. For example, analysis of data from the ECHP for 11 of the EU-15 countries examined the relationship between falling below an income threshold set at 70 % of the country's median income and being located above a deprivation threshold set to capture an identical fraction of the population (see Whelan *et al* 2001). The deprivation measure used was a 13-item index that has been shown to showcase high levels of reliability across these countries. In ten countries the degree of overlap ranged from one-third to less than half; in Denmark the overlap was only one-sixth. In the more affluent Northern European countries, current income levels seem to be particularly poor indicators of permanent income levels. This reflects a variety of factors, from problems in accurately measuring current income to the impact of longer-term income, savings and other assets to unmeasured differences in "needs" and the different choices people make when they set their spending priorities. Even when income over a number of years (as measured in longitudinal surveys) is taken into account, it is clear that deprivation is not predictable simply on the basis of persistent low income.

Non-monetary deprivation indicators can be combined with low income indicators to identify those groups experiencing exclusion due to a lack of resources. This is an approach that has been explored in a number of countries (see for example Nolan and Whelan, 1996, Halleröd, 1996). What is worth emphasizing here, though, is that such indicators can also help to capture the multifaceted nature of poverty and social exclusion. The inter-relationships of deprivation items have been explored using national data by Muffels (1993), Nolan and Whelan (1996), and from the data of ECHP by Whelan *et al* (2001) and Eurostat (2003). Using factor analysis, Whelan *et al* (2001) identified five distinct dimensions with help of the ECHP data:[11]

- Basic life-style deprivation – items such as food and clothing, a holiday at least once a year, and being able to replace worn-out furniture.
- Secondary life-style deprivation – items such as a car, a phone, a colour television, a video, a microwave and a dishwasher.
- Housing facilities – housing services such as the availability of a bath or shower, an indoor flushing toilet and running water.
- Housing deterioration – the existence of problems such as a leaking roof, dampness and rot in window frames and floors.
- Environmental problems – problems relating to noise, pollution, vandalism and crime, and inadequate space and lighting.

A striking finding, which is also reflected in a number of recent studies by Eurostat (Eurostat 2003, 2005, Guio and Macquet 2006), is that this structuring seems to be common across EU countries.

This means that the relationships between these dimensions and the extent of multiple deprivation can be investigated. Both national and cross-country studies suggest that the numbers experiencing high levels of deprivation across a number of dimensions are in fact often quite modest, at least in the EU-15. Figure 4, using data from the ECHP, provides a simple illustration. The number of individuals lacking at least one item of each of the five dimensions described above is counted, and only in Portugal and Greece is the number of those reporting deprivation levels on all five dimensions significantly above zero. Furthermore, apart from Greece, Portugal and Spain the percentage reporting deprivation on four or more dimensions does not exceed 13 %, and in most cases it is substantially lower. Similarly, for the same countries the number reporting that they lack one item on three or more dimensions exceeds one-third in only one case.

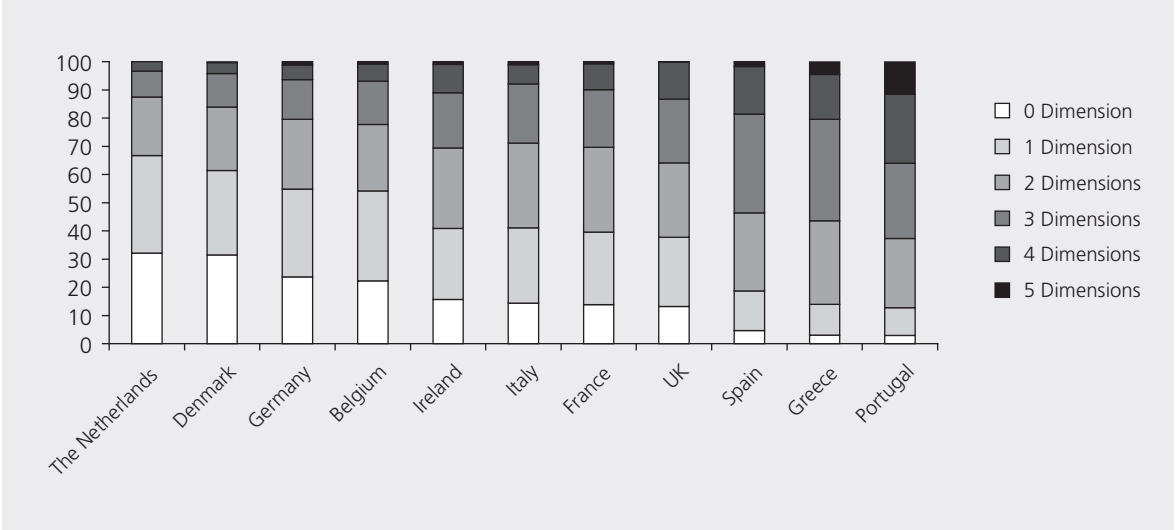
While we cannot explore the implications of these findings in any depth here,[12] it is clear that the range of complex phenomena that come under the heading of social exclusion can be treated simply as by-products of low income and relative income poverty. Poor housing, neighbourhood deprivation, poor

10 These include Townsend (1979), Mack and Lansley (1985), Gordon *et al* (2000) and Bradshaw and Finch (2002) with British data, Mayer and Jencks (1988) for the USA, Nolan and Whelan (1996) with Irish data, Muffels (1993) with Dutch data, Halleröd (1996) for Sweden, Kangas and Ritakallio (1998) for Finland, Bohnke and Delhey (1999) for Germany, Tsakloglou and Panopoulou (1998) for Greece, Bray (2001) for Australia, and Jensen *et al* (2002) for New Zealand.

11 The type of factor analysis employed seems to have little effect on the dimensions identified.

12 See Nolan and Whelan (2007) for a detailed discussion.

Fig 4: Percentage of Persons Lacking at least One Item on Each of Five Dimensions, 1994



Source: Nolan and Whelan (2007)

health and access to health services and low levels of education are clearly related to low income but have to be both understood and addressed in policy terms as distinct aspects of social exclusion. The limited overlap between them in a cross-sectional context is "good news" in the sense that the very sizeable numbers conventionally measured as at-risk-of-poverty in income terms – from one-tenth to one-fifth of the population in EU-25 countries – are not to be seen as a group removed from the rest of their respective society. On the other hand, it represents a challenge both analytically, in trying to tease out the complex processes at work, and in framing strategies that successfully address these distinct but inter-related manifestations of exclusion.

This notion that European societies are increasingly characterised by a divergence between a "comfortable" majority and an excluded minority is particularly relevant. Liddle, Lerais et al (2007) for example argue that,

"In all our societies, including the post Communist ones, there is a growing cultural gap between 'cosmopolitans' who can be portrayed as the winners from current economic, social and cultural trends, and those left behind by economic change and industrial restructuring who often see their traditional communities, values and ways of life under threat" (p. 6).

While the reference here is to a "cultural" gap, this is seen as underpinned by a widening socio-economic cleavage. As far as poverty and exclusion are concerned, the evidence suggests that this type of dichotomy may not be the most helpful way to understand the processes at work or framing effective strategies to combat them.

References

Arts, W. and J. Gleissen, (2002), "Three worlds of welfare capitalism or more?", *Journal of European Social Policy,* 12,2:137–158.

Atkinson, A. B., B. Cantillon, E. Marlier and B. Nolan, (2002), "Indicators for Social Inclusion in the European Union", Oxford: Oxford University Press.

Bane M. J. and D. T. Ellwood, (1986), "Slipping in and Out of Poverty: the Dynamics of Poverty Spells", *The Journal of Human Resources,* 12, 1–23.

Bardone, L. and Guio, A.-C., (2005), "In-work poverty", *Statistics in Focus – Population and Social Conditions 2005 (5),* Eurostat: Luxembourg.

Bohnke, P. and Delhey, J., (1999), "Poverty in a Multidimensional Perspective: Great Britain and Germany", *mimeo.,* WZB.

Bradshaw, J. and Finch, N., (2002), "Core Poverty", *mimeo.,* SSPRU, University of York.

Brandolini, A., (2007), "Measurement of Income Distribution in Supranational Entities: The Case of the European Union", in S.P. Jenkins and J. Micklewright (ed.), "Inequality and Poverty Re-Examined", Oxford University Press: Oxford.

Bray, J., (2001), "Hardship in Australia", Department of Family and Community Services, Canberra.

Bundesministerium für Arbeit und Soziales (2006), "National Strategy Report: Social Protection and Social Inclusion 2006", in *EU Commission, (2007),* "Joint Report on Social Protection and Social Inclusion".

Callan, T. and B. Nolan, (1991), "Concepts of Poverty and the Poverty Line", *Journal of Economic Surveys,* 5 (3), 243–262.

Callan, T., Keeney, M., Nolan, B. and Maitre, B., (2004), "Why is Relative Poverty so High in Ireland?", *ESRI Policy Research Series,* Dublin.

Canto Sanchez, O., (2003), "Finding out the Routes to Escape Poverty: the relevance of demographic vs. labour market events in Spain", *Review of Income and Wealth,* Series 49, Number 4, 569–589.

Citro, C and Michael, R, (1995), "Measuring Poverty: A New Approach", National Research Council, National Academy Press: Washington DC.

Eurostat, (2000), "European Social Statistics: Income, Poverty and Social Exclusion", Office for Official Publications of the European Communities, Luxembourg.

Eurostat, (2003), "European Social Statistics: Income Poverty and Social Exclusion (2nd Report)", Office for Official Publications of the European Communities, Luxembourg.

Eurostat, (2005), "Income Poverty and Social Exclusion in the EU25", *Statistics in Focus 03/2005,* Luxembourg.

Ferrera, M., (1996), "The southern welfare state in social Europe", *Journal of European Social Policy 6 (1),* 17–37.

Fouarge, D. and R. Layte, (2005), "Welfare Regimes and Poverty Dynamics: The Duration and Recurrence of Poverty Spells in Europe", *Journal of Social Policy,* 34, 1–20.

Förster, M. and Pearson, (2002), "Income distribution and poverty in the OECD area: trends and driving forces". *OECD Economic Studies,* No.34, pp. 7–39, Paris.

Förster, M. and M. Mira d'Ercole, (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", *OECD Social, Employment and Migration Working Papers,* OECD Paris.

Gallie, D. and S. Paugam eds., (2000), "Welfare Regimes and the Experience of Unemployment in Europe", Oxford University Press: Oxford.

Gordon, D., L. Adelman, K. Ashworth, J. Bradshaw, R. Levitas, S. Middleton, C. Pantazis, D. Patsios, S. Payne, P. Townsend and J. Williams, (2000), "Poverty and Social Exclusion in Britain", Joseph Rowntree Foundation, York.

Gordon, D., C. Pantazis, P. Townsend, G. Bramley, J. Bradshaw, H. Holmes and B. Halleröd, (1995), "Breadline Britain in the 1990s: A Report to the Joseph Rowntree Foundation", Department of Social Policy and Planning, University of Bristol, Bristol.

Guio, A.-C. and I. Macquet, (2006), "Material Deprivation and Poor Housing", *Paper to Eurostat Conference on Comparative EU Statistics on Income and Living Conditions:* Issues and Challenges, Statistics Finland, Helsinki.

Hagenaars, A., (1986), "The Perception of Poverty", Amsterdam: North-Holland.

Hagenaars, A., K. de Vos and M. A. Zaidi, (1994), "Patterns of Poverty in Europe", *Paper to Seminar on the Measurement and Analysis of Social Exclusion, Commission of the European Communities/Department of Social Security,* Bath: Centre for Research in European Social Policy and Employment Policy.

Halleröd, B., (1996), "The Truly Poor: Direct and Indirect Measurement of Consensual Poverty in Sweden", *European Journal of Social Policy,* 5 (2), 111–129.

Halleröd, B., (1998), "Poor Swedes, Poor Britons: A Comparative Analysis Of Relative Deprivation" in H-J. Andreß, "Empirical Poverty Research in Comparative Perspective", Ashgate, Aldershot.

Hills, J., (2004), "Inequality and the State", Oxford University Press, Oxford.

Institute of Social Studies Advisory Service (ISSAS), (1990), "Poverty in Figures: Europe in the Early 1980s", Luxembourg: Eurostat 1990.

Jarvis S. and Jenkins, S.P. (1997), "Low income dynamics in 1990s", *Fiscal Studies,* 18: 1–20.

Jenkins, S.P. and Rigg, A. (2001), "The dynamics of poverty in Britain", Department of Work and Pensions, *Research Report 157,* Leeds, Corporate Document Services.

Jensen, J. *et al,* (2002), "Direct Measurement of Living Standards: The New Zealand ELSI Scale", Ministry of Social Development, Wellington.

Liddle, R., F. Lerais and others, (2007), "Europe's Social Reality: A Consultation Paper from the bureau of European Policy Advisers".

Kangas, O. and V. M. Ritakallio, (1998), "Different methodsdifferent results? Approaches to Multidimensional Poverty" in H-J. Andreß, "Empirical Poverty Research in Comparative Perspective", Ashgate, Aldershot.

Korpi, W. and J. Palme, (1998), "The Paradox of Redistribution and the Strategy of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries", *American Sociological Review,* 63, 661–87.

Layte R., B. Maître, B. Nolan and C. T. Whelan, (2001) "Explaining Deprivation in the European Union", *Acta Sociologica,* Vol. 44, No. 2, pp. 105–122.

Mack, J. and S. Lansley, (1985), "Poor Britain", Allen & Unwin, London.

Layte, R. and C.T. Whelan, (2002), "The Dynamics of Income Poverty Risk", chapter 5 in *European Social Statistics: Income, Poverty and Social Exclusion: 2nd Report – Data 1994–1997,* European Communities: Luxembourg.

Marlier, E., A.B. Atkinson, B. Cantillon and B. Nolan, (2006), "The EU and Social Inclusion: Facing the Challenges", Bristol: Policy Press.

Mayer, S., (1993), "Living Conditions Among the Poor in Four Rich Countries", *Journal of Population Economics,* 6, 261–86.

Mayer, S. and C. Jencks, (1988), "Poverty and the Distribution of Material Hardship", *Journal of Human Resources,* 24, (1), 88–114.

Muffels, R., (1993), "Deprivation Standards and Style of Living Indices," in *The European Face of Social Security,* J. Berghman and B. Cantillon, eds., Avebury, Aldershot.

Muffels, R. and H.J. Dirven, (1998), "Long-term Income and Depriva tion-based Poverty among the Elderly", in H-J. Andreß, "Empirical Poverty Research in Comparative Perspective", Ashgate, Aldershot.

Muffels, R., (2000), "Dynamics of poverty and the determinants of poverty transitions: results from the Dutch socio-economic panel", in D. Rose (ed.). "Researching Social and Economic Change", London: Routledge.

Nolan, B. and, C. T. Whelan, (1996), "Resources, Deprivation and Poverty", Clarendon Press, Oxford.

Nolan, B. and C.T. Whelan, (2007), "On the Multidimensionality of Poverty and Social Exclusion", in S.P. Jenkins and J. Micklewright (eds.), "Inequality and Poverty Re-examined", Oxford University Press: Oxford.

O'Higgins, M. and S. Jenkins, (1990), "Poverty in the EC: Estimates for 1975, 1980 and 1985" in R. Teekens and B. Von Praag (eds.), "Analysing Poverty in the European Community", Luxembourg: Eurostat.

OECD, (2001), "When Money is Tight: Poverty Dynamics in OECD Countries", Chapter 2, *Employment Outlook,* Paris: OECD.

Piachaud Piachaud, D., (1987), "Problems in the Definition and Measurement of Poverty", *Journal of Social Policy,* 16, 2, 147–164.

Ringen, S., (1988), "Direct and Indirect Measures of Poverty", *Journal of Social Policy,* 17, 351–366.

Ritakallio, V.-M. and J. Fritzell, (2004), "Societal Shifts and Changed Patterns of poverty", *LIS Working paper no. 393,* LIS: Luxembourg.

Schluter, C., (1997), "On the Non-stationarity of German Income Mobility (and Some Observations on Poverty Dynamics)", *DARP Discussion Paper,* LSE: London.

Sen, A., (1993), "Capability and Well-Being", in M. Nussbaum and A. Sen (eds.), "The Quality of Life", Clarendon Press: Oxford.

Townsend, P., (1979), "Poverty in the United Kingdom", Penguin, Harmondsworth.

Tsakloglou, P. and G. Panopoulou, (1998), "Who Are the Poor in Greece? Analysing Poverty Under Alternative Concepts of Resources and Equivalence Scales", *Journal of European Social Policy,* Vol. 8, No. 3, 213–236.

Tsakloglou, P. and Papadopoulos, F., (2002), "Aggregate Level and Determining Factors of Social Exclusion in Twelve European Countries", *Journal of European Social Policy,* 12 (3), 2-9-23.

Valletta, R., (2004), "The Ins and Outs of Poverty in Advanced Economies: Government Policy and Poverty Dynamics in Canada, Germany, Great Britain, and the United States," *Review of Income and Wealth,* 52 (2), 261–284.

Van den Bosch, K., (2002), "Convergence in Poverty Outcomes and Social Income Transfers in Member States of the EU", *Paper for the XV World Congress of Sociology in Brisbane,* July.

Van Kerm, P., (1998), "Low Income Turnover in Wallonia", *mimeo.,* Facultes Universitaire Notre-Dame de la Paix, Namur.

Whelan, C. T, R. Layte, B. Maître and B. Nolan, (2000), "Poverty Dynamics: An Analysis of the 1994 and 1995 Waves of the European Community Household Panel Study", *European Societies,* 2, 4, 505–531.

Whelan, C. T, R. Layte, B. Maître and B. Nolan, (2001), "Income, Deprivation and Economic Strain: An Analysis of the European Community Household Panel", *European Sociological Review,* 17, 4, 357–372.

Whelan, C.T., Layte, R. and Maître, B. (2003), "Persistent Income Poverty and Deprivation in the European Union", *Journal of Social Policy,* 32,1:1–18.

A selection of publications by the "International Policy Analysis"

Zuhal Yesilyurt Gündüz
Europe and Islam: No Securitization, Please!
October 2007

Beata Górka-Winter
EU Operational Engagement: Struggling for Efficiency. Report from the 2nd European Strategic Forum, Brussels 2007
October 2007

Kirsten E. Schulze
Mission Not So Impossible. The Aceh Monitoring Mission and Lessons learned for the EU
September 2007

Marius R. Busemeyer, Christian Kellermann, Alexander Petring & Andrej Stuchlík
Overstretching Solidarity? Trade Unions' National Perspectives on the European Economic and Social Model
August 2007

Barbara Lippert
The Discussion on the EU Neighbourhood Policy – Concepts, Reform Proposals and National Positions
August 2007

Susanne Uhl, Thomas Rixen
Europeanising company taxation – regaining national tax policy autonomy
June 2007

Uwe Wissenbach
The EU's effective multilateralism – but with whom? Functional multilateralism and the rise of China.
May 2007

Roger Hällhag
New Sweden: Crushing or Confirming a Social Democratic Model?
FES-Country-Report April 2007

Jana Zitzler
Plea for a European Minimum Wage Policy
April 2007

Michael Sommer
A Social Europe Needs Workers' Consultation and Participation [only online available]
April 2007

James K. Galbraith
Maastricht 2042 and the Fate of Europe. Toward Convergence and Full Employment
March 2007

Stefanie Flechtner
European Security and Defense Policy: between "Offensive Defense" and "Human Security"
January 2007

Sven Biscop
The International Security Engagement of the European Union – Courage and Capabilities for a "More Active" EU. Report from the 1st European Strategic Forum, Warsaw 2006.
January 2007

Michael Dauderstädt, Arne Schildberg (eds.)
Dead Ends of Transition – Rentier Economies and Protectorates
September 2006

Marius Busemeyer, Christian Kellermann, Alexander Petring, Andrej Stuchlik
Political Positions on the European Economic and Social Model – a Map of Interests
[also available in German]
August 2006

Working Group „European Integration"
The EU needs a new economic policy!
Kick off to the debate [also available in German]
January 2006

Find these and further publications online:
www.fes.de/internationalepolitik

orders to:
Friedrich-Ebert-Stiftung
Internationale Politikanalyse
Ursula Müller
D–53170 Bonn

E-Mail: info.ipa@fes.de
Tel.: +49 (228) 883-212
Fax: +49 (228) 883-625

Imprint
Friedrich-Ebert-Stiftung
International Policy Analysis
Division for International Dialogue
D-10785 Berlin

www.fes.de/internationalepolitik
E-Mail: info.ipa@fes.de

ISBN 978-3-89892-804-5

Orders
Friedrich-Ebert-Stiftung
International Policy Analysis
z. Hd. Ursula Müller
D-53170 Bonn

E-Mail: info.ipa@fes.de
Fax: +49 (228) 883-625

All texts are available online:
www.fes.de/internationalepolitik