

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

Poverty trajectories after risky life events in different European welfare regimes: a latent class approach

Frau Dr. Leen Vandecasteele

*Cathie Marsh Centre for Census and Survey Research,
University of Manchester*

With the availability of mature socio-economic panel data, the interest in life course events associated with poverty entry has grown. Poverty mobility research has mainly focused on the triggering events preceding a poverty transition. Especially employment situation changes like becoming unemployed, retirement... and household composition changes, e.g. divorce, birth of a child... temporarily influence the risk of poverty entry (Apospori/ Millar 2003; Bane/Ellwood 1986; Di Prete/McManus 2000; Ross Finnie 2000; R. Finnie/ Sweetman 2003; Jenkins 1999; Jenkins/ Cappellari 2004; OECD 2001).

Most empirical poverty dynamics studies have used regression techniques to predict the determinants of a poverty transition. As a result, a lot is known about the life course events leading to mobility into or out of poverty. However, the regression approach is less suitable to gain a good insight in the longer term effects of these life events. Consequently, little is known about the different poverty mobility paths people take in the immediate years after employment or household composition related life events.

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Sitzungssaal 126a

Frau Dr. Leen Vandecasteele

In this paper, existing research is complemented by looking at the typical income poverty trajectories during the first five years after experiencing a critical life event like partnership dissolution, job loss or leaving the parental home. By broadening the time frame of poverty mobility research, one can draw a more complete picture of the poverty triggering effects of life course events. In the second part of the paper, determinants such as social class, gender and education level are linked to the different poverty trajectories. The paper is comparative in nature and covers four countries belonging to different welfare regimes, namely Germany, Spain, Denmark and the United Kingdom.

The empirical analysis for this paper is based on the European Community Household Panel Survey. Latent class cluster analysis is used to explore the different patterns of poverty trajectories and multi-group models indicate whether the found patterns are comparable across the countries.

The results show that the income drop after experiencing a life course event is not equally deep and long-lasting for everyone. Four different latent classes are found: persistent non-poor, persons with a transient poverty risk, persons with longer-term poverty risk and late poverty entrants. The four latent classes are found for the three life course events and also in the four countries under study. Yet, the size of the latent classes differs largely between Denmark, Germany, Spain and the United Kingdom. Country differences and similarities are discussed in the light of welfare regime differences.

References

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- Di Prete, T./McManus, P. (2000): Family change, employment transitions and the welfare state – household income dynamics in the United States and Germany. *American Sociological Review*, 65, 343-370.
- OECD (2001): When money is tight. In OECD (Ed.), *Employment Outlook*.

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