# Dynamic of Living Standard

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Poverty is a socially and politically relevant issue, affecting broad swathes of society. In poverty research, many different approaches and specific methods of measuring poverty have been developed. Partially, these differ greatly from each other and thus show a different image of poverty.

The most basic distinction is between indirect and direct approaches to measuring poverty. The indirect measurement concentrates on the resources available, while the direct measurement tries to capture an actual deficiency. The resource approach based on income is the most popular indirect measure. The concept of income poverty is based on the assumption that income is largely responsible for the standard of living of a person and a household. The standard of living approach provides a direct way of measuring poverty. It refers to goods of the household and the pursuit of activities of household members. Due to a variety of items multiple dimensions of living standards are included. Originally, the approach was developed by Townsend (1979) [4].

The standard of living is generated primarily from resources. Individuals use the available resources to create a certain standard of living. However, similar resources must not lead to a comparable standard of living. So, the identified poverty populations are not always completely identical (see, e.g., Nolan and Whelan, 1996 [3]; Whelan et al., 2004 [5]; Böhnke and Delhey, 2006 [2]).

There are several reasons responsible for these differences in the transmission of resources into standard of living. In addition to individual preferences, also debts and assets, support networks, education level, household composition and regional differences can affect the process of transformation.

At the transformation of resources into standard of living also the course of time is of central importance. Despite strong fluctuations in income the standard of living can stay on a nearly constant level due to foresighted economic activities. For the UK Berthoud and Bryan (2011) [1] could shows that short-term changes in income have little impact on standards of living. Even during periods in which the income falls (e.g. in the event of unemployment) the standard of living can still be kept at the previous level and decreases only delayed.

Since both approaches are used to study poverty it is important to analyze the relationship between the two methods of measurement more precisely. This paper examines the relationship between available resources and the actual standard of living of households over time. This implies the following research questions:

- How does the standard of living respond to changes in the resources?
- Do households fit their standard of living at temporary changes in income or do changes in living standard more depends on long-term changes in income?
- Are there differences between the several dimensions of living standard?
- How do debts, savings, networks and education affects the standard of living?
- And what is the impact of changes in status of employment or composition of household?

To answer the research questions above, longitudinal data and panel data regression models are needed. For empirical analyses the Panel 'Labour Market and Social Security' (PASS) is used. A hybrid model, which can distinguish between between-effects and within-effects, should identify group differences and effects of individual change. The research project is currently in process. Initial analyses have been accomplished. It is expected that intermediate results can be presented in October.

## References


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