

## CHAPTER 2

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### **Poverty, material deprivation and multi-dimensional disadvantage during four life stages: Evidence from the ECHP**

#### 2.1. Introduction

The aim of this chapter is to examine the living standards of the four population groups (“risk groups”, in the terminology used in this chapter’s tables and graphs) that this book focuses upon, in comparison with the living standards of the entire population. These groups are: retired persons (“Retired”), sick or disabled persons (“Sick”), young adults (“Adults”) and lone parents (“Lone parents”).<sup>1</sup> For this purpose, we analyse in detail their average incomes, levels of poverty, housing amenities, ability to afford particular durable goods and necessities of life as well as the impact of public transfers on them vis-à-vis the entire population. The analysis of the living standards of specific sub-groups within these groups is presented in subsequent chapters of the book.

Unlike the interpretations of the term “social exclusion” provided by various social scientists, as outlined in section 1, in the jargon of most policy-makers in the EU, “social exclusion” is used interchangeably in order to denote “acute poverty and multiple deprivation” or “exclusion from the labour market”. Our analysis aims to identify aspects of the risk of social exclusion that are closer to the first of these interpretations. The data used for the analysis come from the second wave of the European Community Household Panel (ECHP) that was presented in Section 1.5. It can be argued that even though the ECHP is much better suited for the analysis of the phenomenon of “social exclusion” than most other existing data sources in EU member-states, it still leaves a lot to be desired. A number of aspects of social exclusion cannot be analysed at all or can be analysed to a limited extent using the ECHP (for example, neighbourhood effects, relational aspects, issues related to race or ethnicity, etc.). Further, the fact that the ECHP is still a young panel, at the moment, restricts our ability to examine in depth dynamic aspects of multiple deprivation and social exclusion.

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1. For a detailed description of these groups, see Section 1.3.

The rest of this chapter is organised as follows. Section 2.2 is devoted to the comparison of the levels of monetary poverty of the four groups with that of the rest of the population. Further, this section is dealing with a number of methodological issues. Section 2.3 deals with issues of non-monetary deprivation and multi-dimensional disadvantage, while Section 2.4 examines the extent to which social transfers prevent the members of the “risk groups” from falling below the poverty line. Finally, Section 2.5 provides some tentative conclusions regarding the overall living standards of the four “risk groups” in comparison with the rest of the population.

## 2.2. Poverty

In the first attempt to compare the risk of material deprivation of the four groups with that of the rest of the population we examine their relative poverty risks. For the purposes of this comparison we utilise distributions of equivalent income per capita. The concept of income used is “net monetary household income”. The latter consists of all wages and salaries, incomes from self-employment (including farming), capital income (that is, income from investment, savings, insurance or property), private transfers, pensions and other social transfers net of income taxes and social insurance contributions received from all household members.

Distributions of net monetary income are frequently used in cross-country comparative inequality and poverty studies.<sup>2</sup> However, for a number of reasons, they may be far from ideal for such purposes. The main reason one may be interested in the measurement of poverty is in order to be able to evaluate the welfare position of the least well off members of a society. However, welfare is not directly observable and, therefore, for the purposes of empirical analysis, a reasonably close approximation to it has to be used instead. Several economists and other social scientists argue that, *ceteris paribus*, an individual's welfare level is determined by his/her levels of consumption and leisure. Since there are enormous difficulties in evaluating leisure in monetary terms, most empirical poverty studies use disposable income or, to a lesser extent, consumption expenditure as indicators of welfare. Each variable has its merits from a theoretical point of view [Haveman (1990), Atkinson (1991), Sen (1992), Chaudhuri and Ravallion (1994)]. Nevertheless, irrespective of whether disposable income or consumption expenditure is used as a welfare indicator, it would be desirable to utilise concepts of resources that are as close as possible to the notion of “command over resources” and, hence, include income in-kind from private sources evaluated at market prices, as well as the value of goods and services provided free of charge by the State. Otherwise, comparisons between countries with

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2. For example, the studies using the LIS database as well as a number of OECD publications rely on such distributions; see Atkinson et al (1995).

different degrees of monetisation of their economies, institutional frameworks or types of welfare state may be problematic. Furthermore, comparisons within countries may also be problematic if particular population groups rely more heavily than others on incomes in-kind and/or are heavier users of goods and services provided by the State. The evidence of Smeeding et al (1993) suggests that the inclusion of non-cash public transfers in the fields of health, education and housing in the concept of resources in seven countries – four of them EU member-states – results in a decline in measured inequality and poverty (in comparison with the estimates of inequality and poverty indices derived from the distribution of monetary income). Likewise, the evidence of Appendix I demonstrates that the inclusion of private incomes in-kind in the concept of resources results in a substantial decline in measured inequality and poverty in Greece.<sup>3</sup> Since the concept of resources that is available in the ECHP and used in this book is “net monetary household income”, the above limitations should be kept in mind when interpreting the results that are reported below.

The distributions used in this section are distributions of equivalent income per capita.<sup>4</sup> They are derived by dividing the sum of the incomes of all household members by the number of equivalent adults in the household and, then, assigning the resulting figure to each household member. Equivalence scales are used in distributional studies in order to take into account two factors: household economies of scale in consumption and, sometimes, differences in needs between adults and children. The scales used in the main part of the analysis are the so-called “modified OECD scales” [Hagenaars et al (1994)] which assign a weight of 1 to the first adult in the household, a weight of 0.5 to all other household members aged 14 or more and a weight of 0.3 to each child (person aged below 14). In comparison with other sets of equivalence scales frequently used in distributional studies, these scales imply moderate household economies of scale [Buhmann et al (1988)]. It should be noted that the selection of a particular set of equivalence scales may not be “innocuous” with respect to welfare comparisons across different population groups. This can be illustrated with examples related to two of the groups used in our analysis. “Retired” and “Lone parents” are disproportionately found in households whose size is smaller than average. Therefore, if the equivalence scales used in the analysis imply low (high) household economies of scale,<sup>5</sup> then, *ceteris paribus*, the mean equivalent income per capita of these groups will increase (decrease) and their poverty rate decline (rise) relative to the national mean. On the other hand, “Lone parent” households are likely to contain more children than the average household. Hence, if the equivalence scales

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3. For similar evidence for Portugal, see Rodrigues (1999).

4. Further, all estimates have been derived using the ECHP sample weights, provided by Eurostat.

5. In other words, the denominator in the calculation of equivalent income will be higher (lower).

used in the analysis imply low (high) cost of children relative to adults, the mean equivalent income per capita of the group will rise and the poverty rate decline relative to the national average. For this reason, in this section we perform a sensitivity analysis in order to test the robustness of our findings with respect to the use of alternative sets of equivalence scales. For the purposes of this sensitivity analysis we utilise a family of two-parameter equivalence scales, which parameterises simultaneously both the household economies of scale and the costs of children relative to the costs of adults [Johnson and Garner (1998)].<sup>6</sup>

The poverty line used in the main part of our analysis is that used by Eurostat, which adopts a relativistic approach to the measurement of poverty and fixes the poverty line at a level equal to 60% of the median equivalent income of the population. Since most income distributions are approximately lognormal (that is, skewed to the right), the proportion of the population falling below the poverty line is likely to be very sensitive to the selection of a particular poverty line. This, per se, may not have particular implications for our analysis, unless certain population groups are likely to be disproportionately concentrated in particular sections of the income distribution. Indeed, this may be the case with some of the groups of interest in our analysis (for example, “Retired” relying on minimum pensions, or “Lone parents” or “Sick” relying on particular social transfers). For this reason, we perform a sensitivity analysis, by setting the poverty line successively at the 50%, 60% and 70% of the median equivalent income and examining the relative position of the four “risk groups”.

The main poverty index used in our analysis is the poverty rate (proportion of the population falling below the poverty line). However informative and easy to understand the poverty rate may be, it has a number of well-known disadvantages. It does not inform us how poor the poor are (their average distance from the poverty line) and, further, it does not provide any information about the income distribution among the poor. For this reason, a number of poverty indices have been developed since the seminal article of Sen (1976), which do not suffer from these disadvantages. One such index is that developed by Foster et al (1984), which is also “additively decomposable”; that is, it allows the quantification of each group’s contribution to aggregate poverty. Estimates of this index are also utilised in some of the tables of this section.<sup>7</sup>

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6. The formula of this family of equivalence scales,  $w$ , is:

$$w = (AD + aCH)^b$$

where  $AD$  is the number of adults in the household,  $CH$  the number of children in the household,  $a$  a parameter which shows the relative needs of children ( $0 < a < 1$ , the higher the value of  $a$  the higher the implied needs of a child to those of an adult) and  $b$  a parameter that shows the household economies of scale ( $0 < b < 1$ , the higher the value of  $b$  the lower the economies of scale). It should be noted that the “modified OECD scales” used in the main part of our analysis do not belong to this family of equivalence scales.

7. The formula of the poverty rate,  $H$ , is:

Before we proceed to the detailed examination of the poverty situation of the four “risk groups”, it is important to examine their position in the entire income distribution of the five countries covered by our analysis. This is done in the graphs of Appendix II. For the purposes of the graphs of the two largest risk groups - "young adults" and "retired" - the total population of each country is ordered according to their equivalent income from the poorest to the richest and then grouped into ten groups of equal size (deciles). Due to small cell sizes the group of "sick/disabled" is grouped in quintiles. Finally, in the case of "Lone Parents" because of extremely small cell sizes (less than 20 cases) in the highest income deciles (quintiles) no graph is presented; only a description of their income distribution. The graphs report the distribution of the four “risk groups” per decile for each country. If the income distribution of a particular group is exactly the same as that of the entire population, then 10% of its members should belong to each decile (20% in the case of quintiles). The more the members of a particular group are concentrated close to the bottom of the distribution, the lower the group’s average welfare and the higher its poverty risk.<sup>8</sup>

In Austria the “Retired” appear to be over-represented at the bottom half of the distribution, but not at the lowest decile. On the contrary, “Adults” are slightly over-represented at the top half of the distribution, though not at the top decile. The two “risk groups” that are clearly disproportionately concentrated close to the bottom of the distribution are the “Sick” and, particularly, the “Lone parents”.

The situation of the “Retired” in Germany appears to be similar to that in Austria. “Adults” and "Sick/disabled" are over-represented in the three poorest deciles (in the bottom two quintiles). The “risk group” that is most concentrated at the bottom half of the distribution and, especially, the two lowest deciles is that of the “Lone parents”.

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$$H = \frac{q}{n}$$

where  $q$  is the number of the poor and  $n$  the population size.

The formula of the Foster et al (1984) index,  $F$ , is:

$$F = \frac{1}{n} \sum_{i=1}^n \left( \frac{z - x_i}{z} \right)^c$$

where  $z$  is the poverty line,  $c$  a “poverty-aversion parameter” (the higher its value the higher the weight assigned to the poorest individuals) and  $x_i$  a variable that is equal to the equivalent income of the population member if he/she falls below the poverty line and  $z$  otherwise. In line with most studies, the value of  $c$  used here is equal to 2.

Further, it should be noted that since the estimates of  $F$  are very small in absolute terms, the estimates reported below have been multiplied by 1,000. Likewise, in line with most studies, the estimates of  $H$  reported below are multiplied by 100 (percentage of the population below the poverty line).

The overall picture of the “risk groups” in Greece is rather different than those of Austria and Germany. The “risk group” that appears to be most clearly over-represented at the bottom half of the distribution is that of the “Retired”, followed by the “Sick”. Perhaps due to small numbers, the distribution of “Lone parents” appears to be rather erratic, although they also seem to be more concentrated close to the bottom of the distribution. Unlike the other groups, “Adults” are over-represented in the upper-middle part of the distribution.

“Retired”, “Sick” and “Lone parents” are over-represented in the three poorest deciles (bottom two quintiles) of the Portuguese income distribution. Nevertheless, the distribution of “Lone parents” has some elements of bimodality and the members of the group are also over-represented at the top end of the distribution (particularly the richest decile). Like Greece, “Adults” in Portugal are concentrated in the upper-middle part of the income distribution (though not the top decile) and they are under-represented in the three poorest deciles.

The “risk group” that is overwhelmingly concentrated in the three lowest deciles of the United Kingdom’s income distribution is that of “Lone parents”. “Retired” and “Sick” are also disproportionately concentrated at the bottom half of the income distribution, while, as in the other countries, “Adults” seem to be slightly over-represented at the upper-middle part of the distribution.

Then, we turn to an overview of the overall poverty picture in the five countries under consideration. This is done in the first two lines of Table 2.1. Using the “modified OECD equivalence scales” and a poverty line equal to 60% of the median equivalent income, the five countries can be grouped into two groups according to their poverty rates. The poverty rates of Austria (AT), Germany (D) and the United Kingdom (UK) cluster around 16.0%-17.5%, whereas the corresponding rates of Greece (GR) and Portugal (PT) are substantially higher - 21.7% and 23.4%, respectively. Cross-country differences appear to be even higher when the Foster et al index is utilised and the depth and the intensity of poverty are taken into account along with its prevalence. In this case, aggregate poverty in the United Kingdom appears to be substantially lower than in Austria and Germany which, in turn, have considerably lower poverty levels than Greece and Portugal.

The last four lines of Table 2.1, report the population shares of the four “risk” groups in each of the five countries. *Ceteris paribus*, these shares can give us a rough idea about the potential importance of these groups in each country’s public policy discourse. The “Retired”, whose definition combines both occupational and demographic elements, are the largest of the four “risk groups” in all countries, apart

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8. Note also that, for exposition purposes, the vertical axis in the graphs of three countries (D, GR, UK) go up to 30%, whereas in the cases of the other two countries (AT and PT) they rise only up to 20%.

from Portugal. Cross-country differences with respect to this group's population share appear to be large in absolute but not in relative terms. Their population share varies between 22.8% in Portugal and 30.4% in Greece. The population share of the "Sick", whose definition is the only one that relies on self-reported information, varies considerably across countries – from 2.5% in Greece to 5.4% in Portugal. The "Adults" are the second largest "risk group" in all countries apart from Portugal (where they are the largest group). As in the case of the "Retired", cross-country differences in the population shares of the "Adults" appear to be quite large in absolute terms but less so in relative terms. In Austria their population share is the highest, 25.8%, whereas in Germany it is the lowest, 18.2%. The most important cross-country differences in population shares are recorded in the case of "Lone Parents". Their population share in the United Kingdom is as high as 3.3%, whereas in Greece it is less than 1% (0.8%).<sup>9</sup> In the three other countries it is around 1.5%.

Table 2.2<sup>10</sup> provides a group-by-group detailed analysis of the poverty situation of the four "risk groups". The first column reports the mean equivalent income of each group in each country as a proportion of the national mean (national mean: 100). Likewise the second and the third columns of the table report estimates of the poverty rate and the Foster et al index in comparison with the corresponding national means.<sup>11</sup> Values higher (lower) than 1.00 denote a higher (lower) poverty risk for the members of the "risk groups" than those faced by the average population member. The last two columns of the table examine the robustness of the findings to alternative specifications of the poverty line and the equivalence scale. More specifically, in the case of poverty lines, the estimates of the poverty rate and the Foster et al index of each group are compared with the corresponding estimates for the entire population of the country under consideration, when the poverty line is successively set at 50%, 60% and 70% of the median equivalent income (six comparisons per group). A "Yes" ("No") in the column "Poverty line sensitivity" implies that the results reported in the second and third column of the table are sensitive (robust) with respect to the selection of any of these poverty lines. In other words, the relative position of the "risk group" changes (does not change) vis-à-vis the entire population, when the poverty line is set at a different level. Similarly, the last column of the table examines the

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9. Note that this share refers to persons aged 16 or more, living in lone-parent headed households. Children aged below 16 are not included in this definition.

10. According to Eurostat's cell size thresholds, numbers in brackets indicate cell sizes of 20-50 cases and an asterisk (\*) denotes a - not publishable - cell size of fewer than 20 cases. This rule is followed throughout this book.

11. In order to derive estimates of the poverty rate,  $H$ , or the Foster et al index,  $F$ , for particular "risk groups", these figures should be multiplied by the corresponding estimates for the entire population of the country under examination that are reported in the first two lines of Table 2.1. In order to calculate their contribution to the aggregate poverty, these figures should be multiplied by the corresponding population shares of the "risk groups" that are reported in the last four lines of Table 2.1.

sensitivity of the estimates reported in the second and the third column, when alternative parameters regarding household economies of scale and relative costs of adults and children are utilised (twelve comparisons per group). A “Yes” (“No”) in the column “Equivalence scale sensitivity” means that the results reported in the second and third column of the table are sensitive (robust) with respect to the choice of any of these equivalence scales. In other words, the relative position of the “risk group” changes (does not change) in comparisons with the entire population, when another equivalence scale is selected.

The mean equivalent income of the “Retired” is lower than the national average in all countries under examination. However, cross-country differences are very considerable. In the United Kingdom their mean income is less than 80% of the national mean, in Austria it is over 95%. Low mean incomes for the “Retired” in comparison with the national average are also observed in Portugal and Greece, whereas their situation appears to be considerably better in Germany. The proportion of the “Retired” who fall below the poverty line is higher than the national average in all countries but Austria. However, when the depth and intensity of poverty are also taken into account using the Foster et al index, poverty among the “Retired” in Germany as well as in Austria appears to be less acute than in the entire population.<sup>12</sup> These results are strengthened further by the results reported in the last two columns of the table. The result that poverty is more acute among the “Retired” than among the rest of the population is robust to alternative specifications of the poverty line and the equivalence scale in the United Kingdom, Greece and (almost) Portugal. On the contrary, in Austria and Germany the relative poverty situation of the “Retired” depends on the particular poverty line and equivalence scale used.

Unlike the “Retired”, the group of “Sick” appears by all monetary indicators to be worse-off than the rest of the population. In all countries the mean equivalent income of the group is lower and the risk of poverty higher than that for the rest of the population. The latter is robust to alternative specifications of the poverty line and the equivalence scale. However, in absolute terms cross-country differences appear to be substantial. For example, the group’s mean income in Austria is 94.8% of the national mean, whereas in the United Kingdom it is only 76.8%.

With the possible exception of Germany, in the countries under examination the mean equivalent income of the “Adults” is very close to the national average. When we turn to the poverty estimates reported in the second and the third column of the table, it appears that in all countries apart from Germany the poverty risk of this group is lower than that of the national average – sometimes substantially so.

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12. These results are in line with the results of earlier studies on the status of elderly persons in the EU; see Tsakoglou (1996).

Furthermore, this result appears to be robust to alternative specifications of the poverty line and the equivalence scale in Greece, Portugal, the United Kingdom and (almost) Austria. On the contrary, the relative poverty status of the German “Adults” in comparison with the rest of the population varies, depending on the equivalence scale used.

The last panel of Table 2.2 demonstrates that of the four “risk groups”, in most cases, it is the group of the “Lone parents” that runs the highest risk of poverty. In all countries the mean income of the group is lower than the national average, but the cross-country differences are very significant. The corresponding figures are between 90-95% of the national mean in Greece and Portugal, around 75% in Austria and Germany and lower than 60% in the United Kingdom. Moreover, the estimates of the poverty indices for the group are considerably higher than the national average, especially in the case of the United Kingdom and, to a lesser extent, Germany. In particular in the United Kingdom these estimates are between two and three times the national average. With a marginal exception in the case of Greece, in all countries these results are not sensitive with respect to the choice of poverty lines or equivalence scales.

Naturally, one may question whether the real poverty-inducing factor is the participation in one of the “risk groups” rather than other factors associated with these groups that we have not taken into account in the above analysis. For this reason, we proceeded to a multivariate analysis. More specifically, for each country we estimated a logit model of the probability of falling below the poverty line, for the group of persons aged 16 or more. The explanatory variables used were dummy variables denoting participation in one of the four “risk groups” as well as, employment status, household type and educational status of the individual and employment status and educational level of the reference person of the individual’s household.<sup>13</sup> The resulting marginal effects from the participation in one of the “risk groups” in comparison with the reference group (impact effects), along with the statistical significance of the corresponding coefficients are reported in Table 2.3. Some of the results, especially those related to the group of “Retired” should be interpreted with caution, since this variable is relatively highly correlated with a number of other variables included in the regression equation.

A number of the results reported in Table 2.3 are very interesting. *Ceteris paribus*, in all countries under consideration being a member of a lone parent household increases dramatically the probability of falling below the poverty line. The corresponding impact effects are highly significant and vary between 17.3% in

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13. Regional effects were also controlled for in all countries apart from Germany whose regional information is suppressed in the user database of the ECHP.

Germany and 27.1% in Greece.<sup>14</sup> Further, being a member of the “Retired” group increases significantly the risk of poverty in all countries apart from Germany. In three countries (Austria, Greece and Portugal) the corresponding impact effects are 8-9%, while the relevant effect for the United Kingdom is significant at conventional levels of statistical significance, but substantially smaller (3.2%). Participation in one of the remaining “risk groups” increases significantly the probability of falling below the poverty line only in Greece (“Sick” by 6.0% and, surprisingly, “Adults” by 4.2%) and Portugal (“Sick” by 2.1%).<sup>15</sup>

### 2.3. Non-monetary material deprivation and multi-dimensional disadvantage

One of the main advantages of using the ECHP for the purposes of the present analysis is that it provides the opportunity to examine simultaneously monetary and non-monetary aspects of deprivation. This section is devoted to the examination of non-monetary aspects of material deprivation of the four “risk groups” in comparison with the rest of the population. Three aspects of relative deprivation are explored: deprivation in terms of housing conditions, durable goods and household necessities.

With respect to housing conditions, the ECHP contains the following information. Firstly, whether the dwelling of the individual’s household has the following amenities:

- A separate kitchen
- A bath or shower
- An indoor flushing toilet
- Hot running water
- Central heating or electric storage heaters
- A place to sit outside (e.g. terrace or garden)

Secondly, whether the household has any of the following problems with its accommodation (self-reported information):

- Shortage of space

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14. These are absolute percentage points in comparison with the estimated poverty risk of the reference group; not proportional changes from estimated poverty risk of the reference group. Taking the example of the first estimate reported in Table 2.3, *ceteris paribus*, the estimated poverty risk of the reference group in Austria is 16.0%, whereas if we change the individual’s employment status from “Employee” to “Retired”, the estimated poverty risk rises to 24.9% (16.0+8.9).

15. It should be noted that even though the results of such an exercise are very informative, their policy implications are not always straightforward, since the estimated effects are derived from a reduced form rather than a structural model. For instance, the fact that somebody is in ill health is likely to reduce his/her employment probability and, hence, his/her earnings potential. In our regression, this possibility of reduced income may be picked by the fact that many “Sick” persons are unemployed. However, this reasoning does not invalidate the fact that the poverty risk of the “Sick” is substantially higher than the national average and, therefore, policies aimed to alleviate poverty among the group’s members should be implemented.

- Noise from neighbours or outside
- Being too dark or not having enough light
- Lack of adequate heating facilities
- Leaky roof
- Damp walls, floors, foundation, etc
- Rot in window frames or floors
- Pollution, grime or other environmental problems caused by traffic or industry
- Vandalism or crime in the area

In order to aggregate the above information in a single indicator of deprivation in the field of housing conditions, we decided to adopt a different approach than that adopted by a number of researchers using the ECHP or similar data sets who, effectively, assign the same weight to the lack of every item.<sup>16</sup> More specifically, our indicator assigns to each population member whose household is lacking one of the above housing amenities or facing one of the above problems a weight equal to the proportion of the population living in dwellings not lacking the corresponding amenity or not reporting the relevant problem. As a result, if a particular problem is very rare (common) in one country, an individual whose household is facing this problem is given a high (low) weight. Then, the weights of each population member are added and divided by the sum of the average “satisfaction” score in the entire population (that is, the sum of the proportions of the population not lacking particular housing amenities or not reporting particular housing problems).<sup>17</sup>

Regarding durable goods, the ECHP contains information on enforced lack<sup>18</sup> of the following goods:

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16. See, for example, Burchardt et al (1999) and Nolan et al (1999).

17. In algebraic terms, the formula for the calculation of each population member’s deprivations score,  $\mu_j$ , is:

$$\mu_j = \frac{\sum_{i=1}^I w_i X_{ij}}{\sum_{i=1}^I w_i}$$

where  $I$  is the total number of amenities/problems for which information is available (15 in the case of housing condition items of the ECHP),  $w_i$  is the proportion of the population living in accommodation with housing amenity  $i$  (or without reporting problems with item  $i$ ) and  $X_{ij}$  a variable that takes the value of 0 (1) if the dwelling of individual  $j$  is (is not) equipped with housing amenity  $i$  or does not (does) report problems with item  $i$ .

To some extent, the fact that the denominator is higher (lower) in countries where few (many) population members face bad housing conditions and, therefore, *ceteris paribus*, the country’s mean deprivation score is lower (higher), facilitates cross-country comparisons using such a deprivation indicator.

18. More specifically the reference person replied that the household “would like to have [the durable good] but cannot afford it”.

- A car or van (available for private use)
- A colour TV
- A video recorder
- A microwave oven
- A dishwasher
- A telephone
- A second home

An indicator of deprivation (enforced lack) in the field of durable goods was constructed using a methodology identical to the one outlined above for the construction of “housing conditions deprivation indicator”.<sup>19</sup>

Finally, with respect to household necessities (“necessities of life”), the reference person of each household in the sample of the ECHP was asked to report whether the household could afford (if they wish to):

- To keep the home adequately warm
- To pay for a week’s annual holiday away from home
- To replace a worn-out furniture
- To buy new, rather than second-hand, clothes
- To eat meat, chicken or fish every second day, if they wanted to
- To have friends or family for a drink or meal at least once a month

This information was also aggregated into a single “household necessities deprivation indicator” using the methodology outlined above.

The first three lines of Table 2.4 provide the aggregate picture for the five countries, reporting the average deprivation score in each area (housing conditions, consumer durables and household necessities). A clear picture of two distinct groups of countries emerges from these figures. On the one side we find the poorer countries, Portugal and Greece, with relatively high deprivation scores and, on the other side the richer ones, Austria, Germany and the United Kingdom, with substantially lower deprivation scores in all three areas.

Furthermore, the ECHP contains information on subjective evaluation of well-being. More specifically, the reference person of each household was asked to report whether the household’s total income was able to make ends meet. The replies were given in a six point scale [“with great difficulty” (6), “with difficulty” (5), “with some difficulty” (4), “fairly easily” (3), “easily” (2), and “very easily” (1)]. This information is exploited in the last two lines of Table 2.4. These lines show, firstly, the proportion of

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19. In this case  $w_i$  is set equal to the proportion of the population living in households with durable good  $i$ , but  $X_{ij}$  takes the value of 1 only if the reference person replied that the lack of the particular good is due to inability to afford it (and not, simply, when the household does not have such a good).

the population in each country living in households reporting that they make ends meet “with great difficulty” and, secondly, the average subjective evaluation of well-being score, according to the above scale – admittedly, a very crude but, nonetheless, informative indicator. The estimates reported in the lower panel of Table 2.4 seem to be broadly in line with the previous findings of this chapter. More specifically, two groups of countries can be distinguished. The first group consists of Greece and Portugal where considerable proportions of the population live in households reporting that they have great difficulties to make ends meet. On the contrary, in the countries of the second group relatively low proportions of the population live in households reporting such acute difficulties (Austria, the United Kingdom and, particularly, Germany).<sup>20</sup>

Like Table 2.2 in the case of monetary deprivation (poverty), Table 2.5 provides a group-by-group detailed analysis of the relative situation of the four “risk groups” with respect to their average non-monetary material deprivation. This time, however, the notation is slightly different, for expositional reasons. Instead of presenting estimates as ratios of the national means (100), we report relative deprivation risks,  $\mu$ , as “close to the national average”,  $95 < \mu < 105$  (=), “moderately high”  $105 < \mu < 125$  (+), “moderately low”  $75 < \mu < 95$  (-), “high”  $125 < \mu < 150$  (++) , “low”  $50 < \mu < 75$  (--), “very high”  $150 < \mu$  (+++) and “very low”  $\mu < 50$  (---). The first three columns report relative deprivation risks for housing conditions, consumer durables and household necessities (“necessities of life”), respectively. The last two columns report the proportion of the “risk group” reporting “great difficulties to make ends meet” and the group’s average “well-being score” in comparison with the corresponding national means.

The first panel of Table 2.5 suggests that in all countries the dwellings of the “Retired” are not as well equipped in terms of housing amenities as those of the rest of the population – less so in Austria and Germany. The picture is mixed with respect to their ability to afford durable goods. In two countries – Germany and, especially, Austria – the corresponding average deprivation scores are lower than the national mean, in Greece and the United Kingdom they are close to the national average and only in Portugal the corresponding relative risk appears to be moderately high. In terms of relative deprivation in the field of household necessities, the “Retired” appear to run a moderately high risk of relative deprivation in three countries (Austria, Portugal and the United Kingdom), whereas in Germany their index is close to the national average and in Greece they appear to face a high risk of relative deprivation. Some very interesting results are reported in the last two columns of this panel. In

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20. Note that these findings are consistent with the findings of earlier studies, which show that as income per capita rises, the average score of the subjective evaluation of well-being of the population rises at a diminishing rate [van Praag et al (1982)].

spite of the fact that in at least three countries (Greece, Portugal and the United Kingdom) the “Retired” appear to be worse off in comparison with the rest of the population in both monetary and non-monetary terms, their average score in the subjective evaluation of well-being question is very close to the national mean. Moreover, in the United Kingdom the proportion of the “Retired” who live in households reporting “great difficulties to make ends meet” is substantially lower than the national average. Similar results are also reported in Austria and Germany. Therefore, at least some of the results of the last two columns of the first panel of Table 2.5 may seem surprising and, perhaps, counter-intuitive. The explanation may lie in the life aspirations of the various population groups. The “Retired” are substantially older than the average population member and belong to a generation that, on average, enjoyed substantially lower living standards than the younger generations. Hence, they may not feel deprived, even in case where their living standards lag seriously behind those of the rest of the population.

The information reported in the second panel of Table 2.5 suggests that, unlike the “Retired”, the position of the “Sick” is substantially worse than that of the rest of the population in both “objective” and “subjective” terms. In all countries their risk of relative deprivation in terms of housing amenities is either moderately high or high whereas, with very few exceptions, their relative deprivation scores in terms of consumer durables and household necessities are high or very high. Likewise, in all countries the proportion of the “Sick” living in households reporting “great difficulties in making ends meet” is substantially higher than the national average and their average score in the subjective evaluation of well-being question is lower than the national mean.

A mixed picture emerges from Table 2.5 regarding the relative position of the group of “Adults”. With respect to housing amenities their relative deprivation scores in three countries (Austria, Greece and Portugal) are slightly lower than the national average and in two (Germany and the United Kingdom) slightly higher. However, with the exceptions of Portugal and, partly, Greece, the “Adults” live in households reporting high relative deprivation scores regarding their ability to afford durable goods whereas their differences from the national means are not very high with respect to deprivation in terms of household necessities. Nevertheless, when we turn to the proportion of the “Adults” living in households reporting great difficulties in making ends meet, we find that they are (moderately) higher than the national average, with the exception of Portugal (close to the national average) and the United Kingdom (higher than the national average). Further, in Austria and the United Kingdom their average score in the subjective evaluation of well-being question is moderately lower than the national average.

In terms of housing amenities deprivation, the situation of the “Lone parents” varies substantially across countries. In Germany, their relative deprivation score is very high, whereas in Greece it appears to be low. In the remaining countries, it does not differ considerably from the national average. However, when we turn to the relative deprivation risks of this group in terms of consumer durable goods and household necessities, the picture changes dramatically. The corresponding relative deprivation scores are very high in Austria, Germany and, especially, the United Kingdom, high in Greece and moderately high in Portugal. Furthermore, in all countries the proportion of “Lone parents” living in households reporting great difficulties to make ends meet is dramatically higher and their average scores in the subjective evaluation of well-being question lower than the corresponding national averages.

The next issue we investigate is the extent to which the various types of deprivation analysed above are correlated; in other words, we examine the extent of multidimensional disadvantage in the groups under examination as well as in the entire population. This is done in Tables 2.6 and 2.7. In Table 2.6 we adopt a thoroughgoing relativistic approach and identify as “deprived” the population members who belong to the bottom quintile of the distribution of the relevant deprivation indices (housing conditions, consumer durables and household necessities). Then, we count the number of criteria according to which each population member is classified as deprived. Finally, the proportions of the four “risk groups” as well as the corresponding proportions in the entire population of each country who are classified as deprived according to none, at least one, at least two and all three criteria in each country are reported in the panels of the table. Comparison of the estimates for the entire population with the estimates of the “risk groups” provides a rough idea of the relative risk of multidimensional disadvantage of the members of these groups.

The evidence of Table 2.6 shows that in Austria and Germany, the “risk groups” that face a high risk of multi-dimensional disadvantage in comparison with the rest of the population are the “Sick” and the “Lone parents”. Especially in Germany and the UK, the “Lone parents” are over three times more likely than the average population member to be deprived in at least two categories of relative deprivation examined here. In both countries, the relative position of the “Retired” and the “Adults” is not substantially different than that of the rest of the population. In Greece apart from the “Sick” and the “Lone parents”, the “Retired” face a high risk of multi-dimensional disadvantage, too. On the contrary, this risk is lower than the national average for the group of “Adults”. The Portuguese situation is very similar to the Greek one; “Sick” “Lone parents” and “Retired” face a higher risk of multi-dimensional disadvantage than the average population member, while “Adults” do not. The only country in which all the “risk groups” seem to face a higher risk of multi-

dimensional disadvantage than the rest of the population is the United Kingdom. Among the “risk groups”, the ones that seem to face an extremely high risk are the “Sick” and, particularly, the “Lone parents”. It is worth noting that even though over two thirds of the British population are not classified as deprived according to any of the criteria used for the purposes of Table 2.6, the corresponding proportion is only one quarter in the case of “Lone parents”.

Another interesting issue that is investigated in Table 2.6 is the extent to which monetary and non-monetary aspects of deprivation are correlated. The last line of each panel reports the proportion of the persons who are classified as deprived according to none, at least one, at least two and all three criteria – that is, those who belong to the bottom quintile of the distribution of deprivation scores in the fields of housing conditions, durable goods and household necessities – who belong to the bottom quintile of the income distribution.<sup>21</sup> Even though in all countries the majority of the persons who are aged 16 or more and are located at the bottom quintile of the income distribution are classified as deprived according to at least one criterion,<sup>22</sup> the correlation between monetary and non-monetary deprivation looks relatively weak. In Austria only one third of those who belong to the bottom quintile of all three distributions of aggregate non-monetary welfare indicators belong to the bottom quintile of the income distribution. The corresponding percentages are higher but not extremely high in the rest of the countries under examination (between 50% and 60%). Moreover, in all countries the majority of those classified as deprived according to at least two criteria can be found outside the bottom quintile of the income distribution. In most cases, similar results to those reported for the entire population were obtained for the “risk groups”, too.<sup>23</sup> However, due to the fact that in most countries the members of the “risk groups” were more likely to be located in the bottom quintile of the income distribution, the incidence of simultaneous monetary and non-monetary deprivation in these groups was, usually, higher.

Table 2.7 is similar to Table 2.6. However, this time the approach adopted for the identification of the “deprived” is less relativistic than in Table 2.6. In Table 2.7 we

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21. Note that in Tables 2.6 and 2.7 the distribution of “deprivation scores” is derived from the sample of persons aged 16 or more, whereas the sample of the income distribution consists of all population members. As a result, the proportion of persons aged 16 or more who are located in the bottom quintile of the income distribution may differ from 20%. In fact, in Greece, which is one of the very few EU countries where child poverty is lower than the national average [Immerwoll et al (2000)], the share of persons aged 16 or more in the bottom quintile is over 20% (21.1%), whereas the opposite is observed in the rest of the countries under examination (18.3% in Austria, 18.5% in Germany, 19.8% in Portugal and 16.8% in the United Kingdom).

22. The proportion of those aged 16 or more who are simultaneously located in the bottom quintile of the income distribution and classified as deprived according to at least one criterion using the definitions used in this table are 86.3% in Greece, 70.2% in Portugal, 60.1% in Austria, 59.5% in the United Kingdom and 57.3% in Germany.

23. Results available from the authors on request.

classify as “deprived” those with deprivation scores higher than 60% of the median national deprivation score of the relevant distribution (housing conditions, consumer durables and household necessities). In all other respects, the methodology used in Table 2.7 is similar to that used in Table 2.6. Naturally, in Table 2.7 a higher proportion of the population is classified as suffering from multi-dimensional disadvantage in those countries that register high average deprivation scores in Table 2.4 (Portugal and Greece) rather than in those with low scores (Austria, Germany and the United Kingdom). Likewise, for the purposes of the identification of the poor in the last line of each panel, the poverty line is set at 60% of the national median equivalent income.

In broad lines the results of Table 2.7 strengthen the results of Table 2.6. It should be noted, though, that in all countries but Portugal, due to the small numbers involved, the estimates in the last column of the table (deprived according to all three criteria) cannot be reported in most cases. In all countries, “Lone parents” and “Sick” face a substantially higher risk of multi-dimensional disadvantage than the average population member. The relevant risk for the “Retired” is higher than average in Greece, Portugal and the United Kingdom, whereas “Adults” appear to be in a relatively disadvantaged position in the United Kingdom and, to a lesser extent, Germany. Once again, monetary and non-monetary deprivations do not seem to be very highly correlated. For example, if we turn to the second column of Table 2.7, on average only half of those who are classified as deprived according to two or three of the non-monetary indicators according to the criteria used there is also falling below the poverty line. Cross-country differences are considerable, though; 40.2% in Austria, 48.2% in the United Kingdom, 48.4% in Germany, 58.8% in Portugal and 62.1% in Greece.

#### 2.4. Social transfers and poverty alleviation

This section examines the extent to which social transfers contribute to the decline in the poverty rates of the four “risk groups”. Social transfers aim to redistribute income either through various phases or events of an individual’s life-cycle or, to a lesser, extent between various population groups. In most cases their primary aim is not poverty alleviation. However, even in the cases where their main objective is not poverty alleviation, it is one of their most important by-products. As Eardley et al (1996) point out, the share of social transfers in GDP varies considerably across EU member-states and, moreover, in some countries a very significant proportion of these transfers are provided in-kind rather than in-cash. As noted earlier, information on non-cash transfers is not available in the ECHP. The ECHP contains information on five types of social transfers in-cash: pensions, sickness and invalidity benefits, family

benefits, unemployment benefits and other benefits (consisting mainly of social assistance and cash housing benefits). In all countries, the most important component of social transfers is pensions.<sup>24</sup> However, the most significant cross-country differences with respect to the share of social transfers in household income are observed in the field of non-pension social transfers [Heady et al (1999)]. For this reason, apart from the aggregate effect of social transfers on poverty, we examine separately the corresponding effects that are due to pensions and other social transfers.<sup>25</sup>

Table 2.8 presents the total picture in the five countries under examination. The first line of the table reports the proportional decline in aggregate poverty due to pensions, the second that due to other (non-pension) social transfers and the third the decline due to all social transfers taken together. The figures of this table should not be interpreted as the proportional increases in poverty in comparison with the poverty rates reported in the first line of Table 2.1 if there were no transfers, but as the proportional declines in poverty due to the social transfers from the level of poverty that would have been encountered if these transfers did not exist.<sup>26</sup> Starting from the last line of the table, it can be noted that in all countries, social transfers contribute to a very significant decline in aggregate poverty. Nevertheless, once again, substantial cross-country differences are also evident. Social transfers are most effective in alleviating poverty in the Northern than the Southern EU countries under examination. The proportional declines in the aggregate poverty rates due to social transfers are between 52.3% and 62.3% in the “North” (Austria, Germany and the United Kingdom) and 37.8% and 43.9% in the “South” (Greece and Portugal). In all countries, apart from the United Kingdom, in quantitative terms the contribution of pensions to poverty alleviation is higher than the contribution of all other social transfers combined.<sup>27</sup> Unlike the “North”, non-pension social transfers do not seem to

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24. It should be noted, though, that in the ECHP there is no distinction between private and public pensions and that, for the purposes of our analysis, this distinction is ignored. Since in some countries the share of private pensions in total pension is considerable, the estimates of this section are likely to over-estimate the true distributional effects of social transfers. However, this over-estimation is mitigated by the fact that private pensions are more likely to be directed towards the top rather than the bottom of the income distribution.

25. For a detailed analysis of the distributional impact of social transfers in the EU, using the ECHP, see Heady et al (1999).

26. For example, the first figure of the table, 52.1%, implies that if the poverty line in Austria was kept intact but there were no pensions, the poverty rate would have been 0.332 rather than 0.159. Therefore, the proportional decline in the aggregate poverty rate after the inclusion of pensions is 52.1% [ $52.1=100*(0.332-0.159)/0.332$ ]. Further, note that for each country the sum of the estimates reported in the first and the second line of the table is higher than the corresponding estimate reported in third line. This is due to the fact that either pensions or other social transfers alone push many individuals whose income net of social transfers is lower than the level of poverty line above it.

27. Nonetheless, as shown in Heady et al (1999), this is due to the share of pensions in total income. In almost all EU member-states the non-pension social transfers are directed to those

play a very important role in poverty alleviation in the “South”, especially in Greece. In the latter case as a result of these transfers the aggregate poverty rate declines by a mere 6.8% against 25.6%-39.5% in the “Northern” countries.

Table 9 is the counterpart of Table 8 for the “risk groups”. However, since the concept of resources used in our analysis is “equivalent income” – that is the sum of the incomes of all household members divided by the number of “equivalent adults” in the household – and further, in most cases, social transfers are not supposed to support only their recipients but also the members of their families, it was decided to examine the impact of social transfers on all members of households with members belonging to a “risk group”.<sup>28</sup> Comparison of the estimates of Table 9 with those of Table 8 makes apparent some cross-country regularities. In all countries, the proportional decline in aggregate poverty due to social transfers is higher for the members of households with “Retired” or “Sick” persons than for the rest of the population. On the contrary, the proportional decline in poverty for the members of households with “Adults” or “Lone parents” is lower than the corresponding decline for the entire population in all countries under examination. As one could anticipate, the largest proportional declines in poverty rates after the impact of social transfers is accounted for are recorded in the members of households with “Retired” persons, whose main source of income is, usually, pensions. Naturally, pensions contribute relatively mildly to the alleviation of poverty among the members of the households with “Adults” and “Lone parents”, while their impact on members of households with “Sick” persons is considerable but lower than the corresponding impact on the average population member (except in the case of Austria). On the contrary, with few exceptions, in all countries non-pension social transfers result in proportional declines among members of households with “Sick”, “Adults” and “Lone parents” which are higher than those recorded for the rest of the population.

## 2.5. Conclusions

The evidence presented in this chapter suggests that a number of similarities and differences can be identified in the five EU member-states under examination (Austria, Germany, Greece, Portugal and the United Kingdom) with respect to the relative welfare position of the “Retired”, the “Sick”, the “Adults” and the “Lone parents”. According to most of the indices used, two of these groups – “Lone parents” and “Sick” – appear to be face a substantially higher risk of poverty, non-monetary material deprivation and multi-dimensional disadvantage than the average population

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close to the bottom end of the income distribution to a substantially larger extent than pensions.

28. Nevertheless, the results for the members of the “risk groups” only, are virtually indistinguishable from the results reported in Table 9.

member in all countries under consideration. Further, much of the evidence that is reported in this chapter suggests that the “Retired” enjoy a considerably lower standard of living than the rest of the population in the Southern countries (Greece and Portugal) and the United Kingdom. On the contrary, with the possible exceptions of Germany and the United Kingdom, the “Adults” do not appear to face particularly high risks of poverty and non-monetary material deprivation. Social transfers make a significant contribution to the poverty alleviation in the case all the “risk groups” – in particular, the “Retired” and the “Sick” – especially in the “Northern” countries (Austria, Germany and the United Kingdom). Naturally, these general results do not imply that there are no specific sub-groups within all the “risk-groups” that may face particularly high or low risks of monetary and/or non-monetary deprivation. This is the subject of the analysis of the next four chapters of this book.

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Table 2.1. Aggregate poverty and populations shares of four “risk groups”  
in five EU member-states

	AT	D	GR	PT	UK
Poverty Rate	15.9	16.2	21.7	23.4	17.4
Foster et al index (x 1000)	23.6	25.5	37.1	38.8	17.5
Population share “Retired”	26.5	29.0	30.4	22.8	25.6
Population share “Sick”	2.9	3.6	2.5	5.4	3.6
Population share “Adults”	25.8	18.2	21.7	24.1	21.0
Population share “Lone Parents”	1.5	1.6	0.8	1.4	3.3



Table 2.2. Poverty comparisons of “risk groups”

Country & “Risk Group”	Mean Equivalent Income (All: 100.0)	Poverty Rate (Relative) (All: 1.00)	Foster et al (Relative) (All: 1.00)	Poverty Line Sensitivity	Equivalence Scale Sensitivity	
<b>“Retired”</b>	AT	95.1	0.96	0.77	YES <sup>1</sup>	YES
	D	93.0	1.05	0.88	YES <sup>2</sup>	YES
	GR	81.9	1.60	1.76	NO	NO
	PT	84.1	1.59	1.16	YES <sup>3</sup>	NO
	UK	79.7	1.55	1.37	NO	NO
<b>“Sick”</b>	AT	94.8	[1.15]	[1.08]	NO	NO
	D	92.6	[1.22]	[1.51]	NO	NO
	GR	81.8	1.47	1.31	NO	NO
	PT	77.9	1.36	1.47	NO	NO
	UK	76.8	1.26	1.60	NO	NO
<b>“Adults”</b>	AT	97.9	0.96	0.77	NO	YES <sup>5</sup>
	D	91.5	1.19	1.08	NO	YES
	GR	99.6	0.78	0.70	NO	NO
	PT	101.3	0.73	0.82	NO	NO
	UK	99.9	0.87	0.95	NO	NO
<b>“Lone parents”</b>	AT	76.2	[1.88]	[1.36]	NO	NO
	D	73.8	2.46	1.81	NO	NO
	GR	94.1	[1.65]	[1.10]	YES <sup>4</sup>	NO
	PT	92.3	1.46	1.51	NO	NO
	UK	59.9	2.82	2.47	NO	NO

NOTES

1. Re-ranking by Head count ratio at the 70% poverty line only.
2. Re-ranking by Head count ratio at the 50% poverty line only.
3. Re-ranking by the FGT index at the 50% poverty line only.
4. Re-ranking by the FGT index at the 50% poverty line only.
5. Marginal difference.

Table 2.3. Marginal effects and statistical significance of “risk” variables in multinomial logit analysis §

	AT	D	GR	PT	UK
“Retired”	8.9**	0.7	8.4**	9.0**	3.2*
“Sick”	1.9	3.5	6.0**	2.1*	-1.6
“Adults”	-1.0	1.0	4.2**	0.9	0.5
“Lone Parents”	22.3**	17.3**	27.1**	19.6**	18.3**

§ Change in percentage points of the risk of falling below the poverty line in comparison with the reference group

Reference group: Employees, with less than upper secondary education completed, living in households consisting of couples with one or more children (at least one >16), headed by employees with less than upper secondary education completed. (Regional effects controlled in all countries except Germany).

\*\* Derived from a coefficient statistically significant at the 1% level.

\* Derived from a coefficient statistically significant at the 5% level.

Table 2.4. Aggregate non-monetary deprivation indicators in five EU member-states

	AT	D	GR	PT	UK
Housing conditions	8.7	5.0	10.4	15.1	2.4
Consumer durables	5.0	4.6	15.5	23.4	4.7
Household necessities	14.4	10.2	43.4	34.1	15.3
Subjective evaluation of well-being ("great difficulty" %)	6.1	2.2	20.4	15.4	5.2
Subjective evaluation of well-being ("average score")	3.5	2.8	4.5	4.3	3.4



Table 2.6. Comparisons of “risk groups” in terms of aggregate material non-monetary deprivation indicators (bottom 20% of the distribution)

Country & “Risk Group”	Deprived according to:*				
	No criterion	At least one criterion	At least two criteria	All three criteria	
<b>AT</b>	“Retired”	49.3	50.7	17.0	3.8
	“Sick”	46.4	53.6	24.8	*
	“Adults”	52.1	47.9	17.9	3.0
	“Lone parents”	[40.8]	59.2	[25.2]	*
	TOTAL POPULATION	55.1	44.9	15.7	3.5
	% in bottom quintile**	13.3	24.6	32.6	33.6
<b>D</b>	“Retired”	59.6	40.4	10.3	[1.1]
	“Sick”	46.8	53.2	20.0	*
	“Adults”	55.2	44.8	15.2	[2.5]
	“Lone parents”	[31.5]	68.5	36.7	*
	TOTAL POPULATION	60.5	39.5	11.7	1.7
	% in bottom quintile**	13.1	26.9	39.6	54.1
<b>GR</b>	“Retired”	31.2	68.8	35.6	9.9
	“Sick”	28.9	71.1	36.2	[12.5]
	“Adults”	44.5	55.5	20.6	5.2
	“Lone parents”	[33.7]	66.3	[36.6]	*
	TOTAL POPULATION	42.1	57.9	24.7	6.5
	% in bottom quintile**	6.8	31.5	44.8	57.7
<b>PT</b>	“Retired”	48.7	51.3	27.1	10.0
	“Sick”	46.6	53.4	24.8	9.6
	“Adults”	66.0	34.0	15.0	5.1
	“Lone parents”	64.5	35.5	[22.8]	*
	TOTAL POPULATION	62.5	37.5	17.2	6.0
	% in bottom quintile**	9.4	36.4	48.3	58.9
<b>UK</b>	“Retired”	60.8	39.2	14.8	2.3
	“Sick”	40.9	59.1	29.7	*
	“Adults”	63.0	37.0	14.7	[2.4]
	“Lone parents”	25.6	74.4	38.1	*
	TOTAL POPULATION	67.1	32.9	11.8	2.0
	% in bottom quintile**	10.2	30.4	40.1	52.2

\* Proportions belonging to the bottom quintile according to:

- a) Housing conditions
- b) Consumer durables
- c) Household necessities

\*\* Proportion of the group belonging to the bottom 20% of the income distribution

Table 2.7. Comparisons of “risk groups” in terms of aggregate material non-monetary deprivation indicators (threshold: 60% of the median)

Country & “Risk Group”	Deprived according to:*				
	No criterion	At least one criterion	At least two criteria	All three criteria	
<b>AT</b>	“Retired”	85.6	14.4	[2.0]	*
	“Sick”	84.7	[15.3]	*	*
	“Adults”	86.9	13.1	[1.8]	*
	“Lone parents”	84.5	[15.5]	*	*
	TOTAL POPULATION	87.6	12.4	1.8	*
	% below the poverty line**	14.2	26.6	[40.2]	*
<b>D</b>	“Retired”	86.6	13.4	[1.5]	0.0
	“Sick”	73.6	26.4	*	*
	“Adults”	86.3	13.7	[2.3]	*
	“Lone parents”	60.2	39.8	*	0.0
	TOTAL POPULATION	87.5	12.5	1.5	*
	% below the poverty line**	14.1	31.2	48.4	*
<b>GR</b>	“Retired”	53.0	47.0	12.0	1.6
	“Sick”	51.6	48.4	[14.8]	*
	“Adults”	72.7	27.3	4.8	*
	“Lone parents”	[50.5]	[49.5]	*	0.0
	TOTAL POPULATION	67.7	32.3	7.2	1.0
	% below the poverty line**	12.0	42.1	62.1	69.7
<b>PT</b>	“Retired”	55.2	44.8	21.6	6.9
	“Sick”	53.1	46.9	19.3	6.7
	“Adults”	71.9	28.1	11.5	3.8
	“Lone parents”	65.9	34.1	[19.3]	*
	TOTAL POPULATION	68.1	31.9	13.2	4.4
	% below the poverty line**	13.0	45.8	58.8	65.8
<b>UK</b>	“Retired”	80.4	19.6	2.3	0.0
	“Sick”	56.5	43.5	*	0.0
	“Adults”	80.3	19.7	[2.2]	0.0
	“Lone parents”	46.3	53.7	*	0.0
	TOTAL POPULATION	82.5	17.5	1.7	0.0
	% below the poverty line**	12.9	38.5	48.2	---

\* Proportions with score below 60% of the median according to:

- a) Housing amenities
- b) Consumer durables
- c) Household necessities

\*\* Proportion of the group with equivalent income below 60% of the median

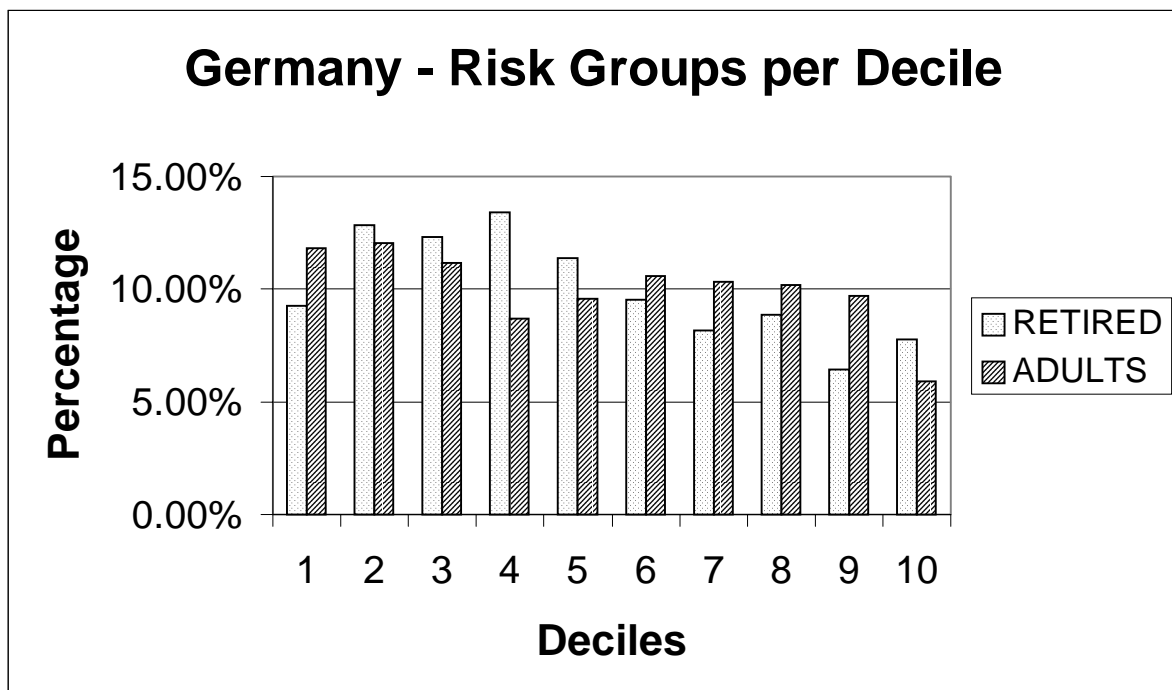
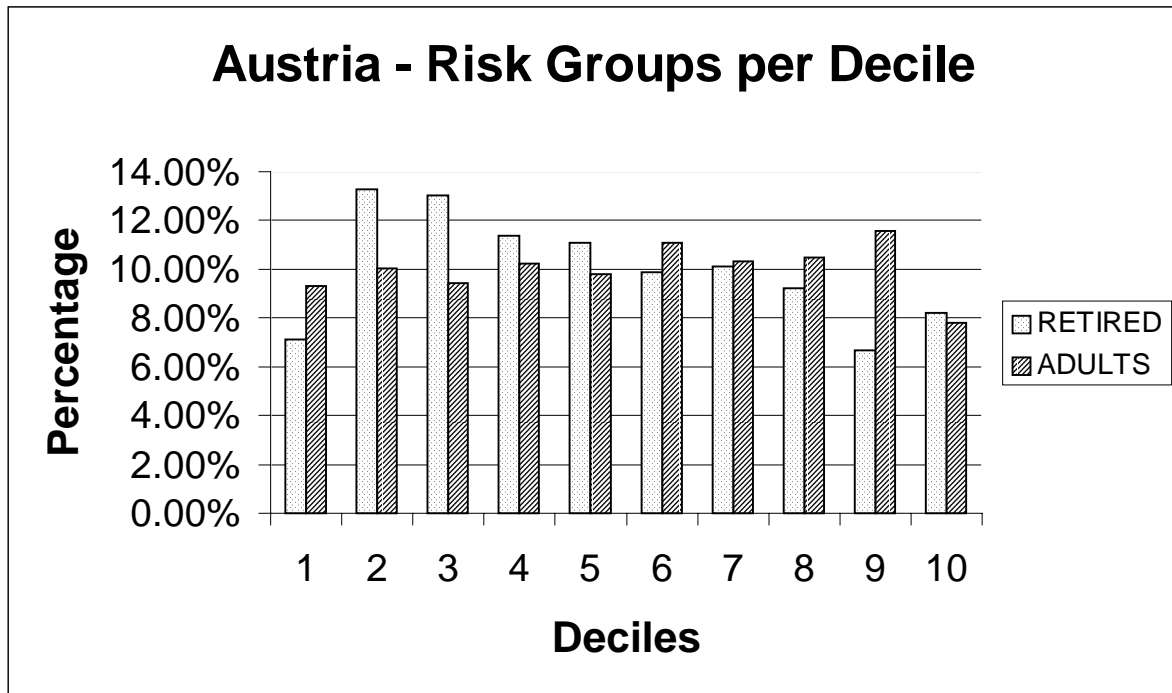
Table 2.8. Proportional decline in the aggregate poverty rate due to social transfers in five EU member-states

	AT	D	GR	PT	UK
Decline due to pensions alone	52.1	49.3	42.0	29.5	35.8
Decline due to non-pension social transfers alone	36.3	25.6	6.8	14.9	39.5
Decline due to all social transfers	62.3	56.7	43.9	37.8	52.3

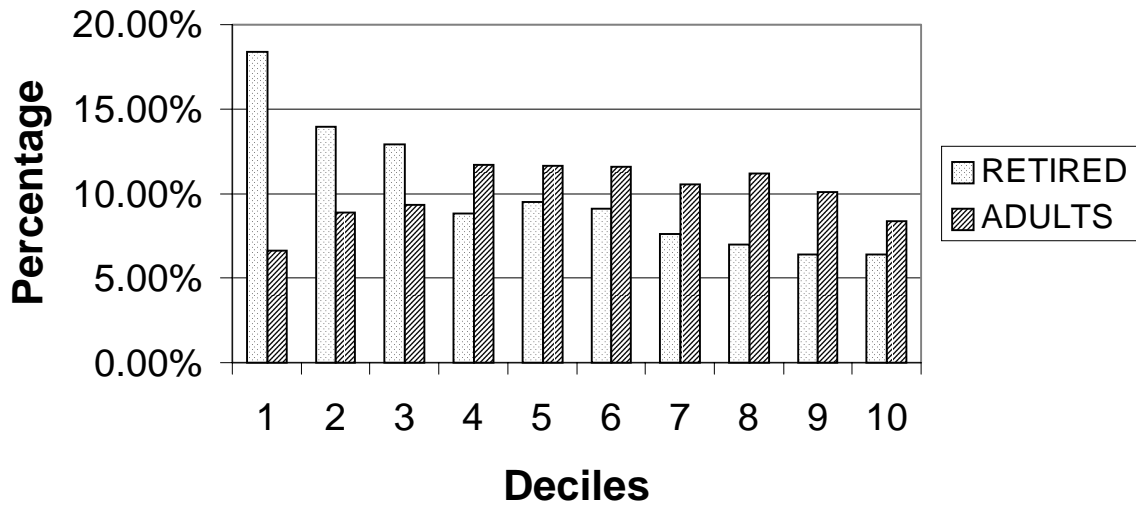
Table 2.9. Proportional decline in the poverty rates of members of households with individuals belonging to a “risk group” due to social transfers

Country & “Risk Group”		Decline due to non-pension social transfers alone	Decline due to pensions alone	Decline due to all social transfers
<b>“Retired”</b>	AT	33.8	78.3	80.5
	D	22.7	76.9	78.3
	GR	6.5	54.7	55.4
	PT	11.6	46.5	50.2
	UK	41.8	63.2	67.3
<b>“Sick”</b>	AT	47.4	53.7	67.3
	D	50.5	46.5	63.9
	GR	16.7	40.3	45.3
	PT	20.7	22.2	35.9
	UK	57.0	13.1	59.1
<b>“Adults”</b>	AT	40.1	40.7	57.2
	D	28.4	13.6	36.3
	GR	8.2	34.6	38.2
	PT	17.9	18.9	32.3
	UK	41.4	7.8	45.4
<b>“Lone parents”</b>	AT	50.3	21.1	53.7
	D	32.0	4.8	33.9
	GR	8.9	18.2	26.4
	PT	18.2	8.8	25.6
	UK	37.6	1.8	38.3

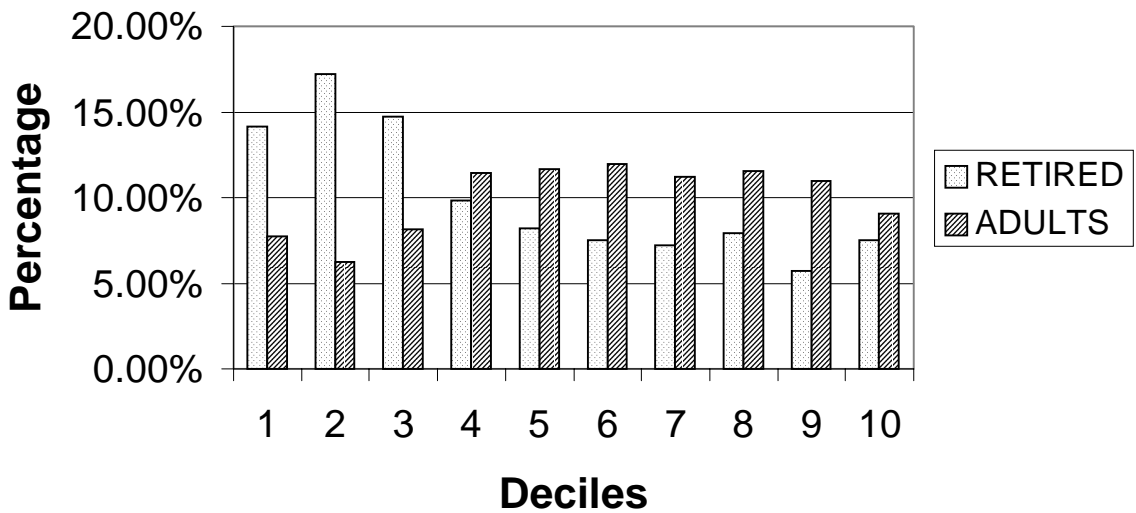
APPENDIX II: "Risk groups" per decile/quintile in five EU member-states



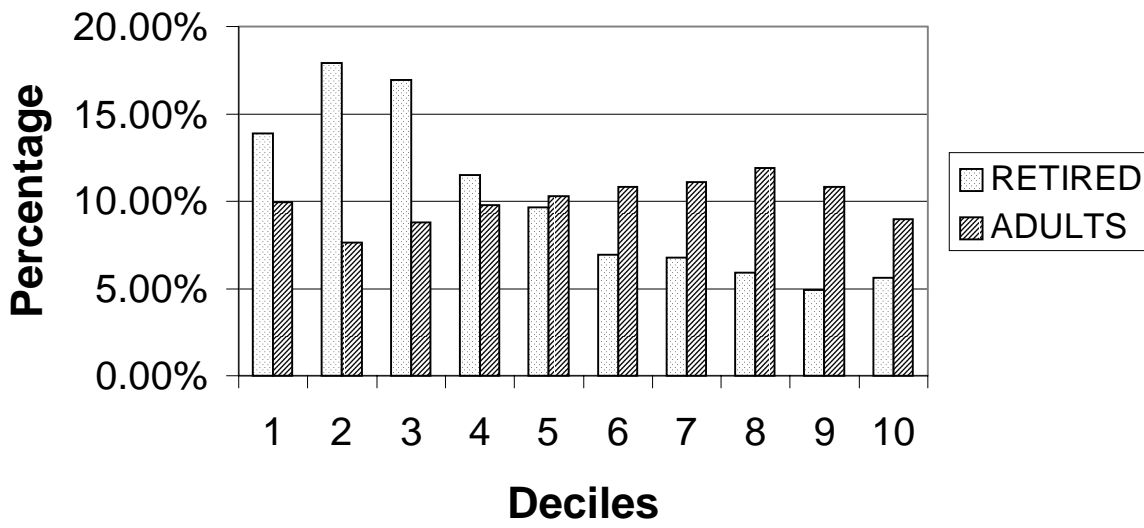
### Greece - Risk Groups per Decile



### Portugal - Risk Groups per Decile



### UK - Risk Groups per Decile



### Sick/Disabled per Quintile

