

European Panel Analysis

Final report on a project supported by the
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Targeted Socio-Economic Research (TSER)

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Abstract

Many aspects of social inclusion and exclusion are best understood through the analysis of longitudinal data. In a household panel survey, all the individuals in an initial sample of households are repeatedly interviewed each year, so that changes in their circumstances can be measured over time.

The programme had two linked objectives: 1) to produce a new comparative European longitudinal database on employment, income, living standards and family structure, and 2) to use this and another, existing, household panel data-base to study the dynamics of social exclusion.

The European Community Household Panel was launched in 1994. Parallel surveys were undertaken in 12 member states, and three more have been added since. The samples have been followed up annually. The ECHP provides a 'short wide' panel: only two years of data were available for analysis in this project, but over a large number of countries.

The research team has also produced a new 'long narrow' panel data base derived from existing panel surveys: a five year sequence of data is available but for only three countries – Germany, the Netherlands and Britain. The new EPAG data-set has been analysed by members of the group, and has also been made available for research by other analysts.

The substantive research programme funded within this project was intended to pioneer the use of longitudinal data in the comparative analysis of a range of issues relevant to social exclusion. The investigations undertaken within the programme were within four broad subject areas:

- Changing family structures
- The dynamics of employment
- Persistent versus temporary poverty
- Deprivation

The fifteen papers have been published under the European Panel Analysis Group's own imprint, and are available both in printed format and as downloadable files on EPAG's web -site (www.iser.essex.ac.uk/epag)

The issues addressed here are of increasing concern to governments, anxious at the same time to tackle poverty and to bring social security spending under control. The research initiated in this TSER -funded project will mature in the programme of work on the *Dynamics of Social Change in Europe*, to be undertaken by the expanded group under the Fifth Framework.

1. Objectives of the project

Most survey materials give an ‘instantaneous’ cross-sectional view of a society. Social science proceeds for the most part by making inferences about changes in people’s circumstances, and the causes and consequences of these, by making comparisons and observing differences between people at a single point in time. But many aspects of the phenomena of social exclusion and integration are best understood, indeed in some cases can only be understood, in a longitudinal context. Sometimes this may be because of clear long-term causal patterns (as for example where an individual’s five-year employment history provides the best clues to his or her proneness to future unemployment). Sometimes this might reflect long-term consequences of economic experiences (as where an extended period of unemployment, disability or of very low income leads to labour market withdrawal, clinical depression or family break-up). And sometimes the nature of the phenomenon itself may be essentially longitudinal (e.g. ‘insecure’ employment is best defined as an extended period of successive movements into and out of employment, or repeated movements between less and more desirable employment statuses).

It is for reasons such as these that issues of social exclusion and integration are best understood through the analysis of longitudinal materials. Unlike conventional cross-sectional surveys, longitudinal studies provide repeated measures of the same individuals’ conditions at a succession of time points. There are various sorts of longitudinal surveys (including retrospective work- or life-history accounts, and administrative data-bases); but we concentrate here on one type: household panel surveys. All the individuals in an initial sample of households are repeatedly re-interviewed each year, together with any new members of their households. The questionnaire concerns income and social security, employment, education and training, family circumstances, indicators of social exclusion and poverty, and associated norms and values.

The programme of work for this project had two linked objectives: 1) to produce a new comparative European longitudinal micro-data-base on employment, income and social protection, living standards (i.e. non-monetary social indicators), and family or household circumstances; and 2) to use this and another, existing, panel data-base in the investigation of a

number of issues concerning the nature and dynamics of social exclusion and integration, their causes and consequences. Specific aims were to examine and explain similarities and variations among European countries in: a) the formation, growth, diminution and dissolution of households; b) movement into and out of different forms of employment and employment statuses; c) the patterns of household income stability or instability over time; and d) the causal interconnections between income dynamics and changes in living standards.

A key feature of this project was the internationally harmonised nature of the panel data-bases. Genuinely comparative international research has been notoriously difficult to achieve in the social sciences, because of difficulties both with data and with international collaboration. This project built on the past experience of collaboration among the partners, to provide a new data resource to be used both by the project members and, eventually, by the wider international research community. We saw the data preparation aspect of this work as, in part, facilitative of further research activities by other research groups. So there was a strong interdependence between the two above objectives: the substantive research required the data -base, but also the specification of the data-base depended in turn on the requirements of the substantive analysis. The substantive research activities were chosen in part on the grounds that they spanned a wide range of possible applications of the panel data to social integration/exclusion issues. The substantive research activities thus played a dual role: they related directly to the objectives of TSER Action III.1 (mapping and measuring the mechanisms which generate social exclusion) and the research tasks of Action III.2 (effects of changing labour market regulation on unemployment, family life and living conditions); and they were also instrumental in achieving the specific research task under Action III.1 of creating new data structures and indicators and contributing to a Europe-wide data resource appropriate for the study of the processes and consequences of social integration and exclusion.

This final report on the project is in three main sections.

- Given the difficulty of maintaining cross-national collaboration in comparative research, we describe, first, the successful development of the four-partner group responsible for the programme.
- The second section describes the production of the new panel data base.
- The third, and longest, section reviews the findings of the substantive research undertaken under the auspices of the project.

The formal report to the CEC is accompanied by 15 working papers presenting the detailed results of the panel analysis. These papers should be considered an integral part of our final report.

2. Development of the European Panel Analysis Group

The four partners in this project were all experienced in the collection and analysis of household panel data. DIW and ISER are each the designers and producers of their national household panel surveys - the German Socio-Economic Panel (GSOEP, since 1984) and the British Household Panel Survey (BHPS, since 1991). Tilburg was closely involved in the development work on the European Community Household Panel survey, and ESRI is responsible for the Irish contribution to the ECHP.

The four also had more than five years prior experience of successful collaboration with each other in various household panel analysis activities. They worked together in the design and analysis stage of the pilot European panel during 1992 and 1993. And they were jointly selected by Eurostat to take the lead role in specifying and implementing its own programme of analysis of the ECHP.

The participants in the interdisciplinary group contributing to this project have been:

Institute for Social and Economic Research

Jonathan Gershuny (group co-ordinator until 1998)
Richard Berthoud (group co-ordinator from 1999)
Malcolm Brynin
Maria Iacovou
Marcia Taylor

German Institute for Economic Research (DIW)

Gert G. Wagner
Joachim R. Frick
Lutz C. Kaiser
Jürgen Schupp
Thomas Siedler

Economic and Social Research Institute

Chris Whelan
Brian Nolan
Richard Layte
Bertrand Maitre

Tilburg Institute for Social Security Research

Ruud Muffels
Ronald Dekker
Didier Fouarge

The full group has held seven two-day meetings to discuss the project's progress:

Colchester, May 1997
Colchester, December 1997
Dublin, June 1998
Berlin, January 1999
London, April 1999
Tilburg, November 1999
Milan, April 2000

The common experience of working together on these tasks has created a strong sense of team spirit among the four partners. This was emphasised in 1999 by the creation of a more formal consortium, the European Panel Analysis Group (EPAG), based on the original four members, but with the addition of researchers from the Centre for Labour Market Studies at the University of Aarhus and the Department of Sociology and Social Research at the University of Milano-Bicocca.* EPAG has published the technical and working papers emerging from this research programme, both in hard -copies (as submitted with this report) and on its own web -site (see www.iser.essex.ac.uk/epag).

The new group successfully bid for a programme of research on *The Dynamics of Social Change in Europe*, under the CEC's Fifth Framework Programme. One of the positive outcomes of the current project was, therefore, an institutional and intellectual base on which to develop further work in this area.

* Aarhus and Milano-Bicocca will take part in future activities, but did not contribute to the current TSER project.

3. Production of harmonised panel data

The first household panel survey was launched in the United States in 1968 – the Panel Survey of Income Dynamics. Now that it has been running for more than a generation, it is of unparalleled value to American social scientists seeking to understand the dynamics of social and economic life, and the impact of policy over recent decades. The first European household panel survey started in (West) Germany in 1984, and others have followed in countries such as the Netherlands, Belgium, Luxembourg and Britain. Each of these surveys was designed independently, to meet the data needs perceived in each host country. There were nevertheless substantial areas of common ground, both because of the inherent structure of a household panel survey, and because the designers of each new survey took direct account of the experience of their predecessors.

A major step was taken towards cross-European comparability in 1994, with the launch by Eurostat of the European Community Household Panel (ECHP, also known as the Europanel). Parallel surveys were taken in 12 member states, and the samples have been followed up each year since then. Three more countries have been added to the panel as they have joined the Union. A massive data-base has been building up over the subsequent period which can provide the most direct comparisons between countries. Nine of the analytical working papers undertaken within this project (summarised in the next section of this report) have been based directly on the ECHP.

A short-term disadvantage of the ECHP, though, is that only the first wave of data was available early in the period of the current T SER contract, building up to three waves at the end. This is an inevitable factor during the early years of a prospective longitudinal data collection exercise: major analytical ambitions are naturally formed at the beginning, but cannot be realised until the lapse of years has provided a long run of data.

Another, administrative, problem was that uncertainty about the schedule for releasing the ECHP data had an adverse effect on our ability to plan the programme of analysis.

The ECHP now offers what might be described as a ‘short wide’ comparative panel: ‘short’ in that it covers only three years so far; ‘wide’ in that data is

available for 12-15 countries. Unparalleled comparability between countries, but a restricted time frame.

To counter this limitation, the project produced a ‘long narrow’ panel data-set of its own, to enable genuinely longitudinal comparative analysis to get under way. This took advantage of the fact that household panel surveys already existed in three countries: Germany, the Netherlands and Britain. The youngest of these started in 1991, so it was possible to assemble a three-country panel from that date onwards.

This new data – known as the EPAG data-set – was designed to be closely linked with the ECHP itself. A basic set of ECHP variables was selected, and each of the three source surveys was reproduced in a format as close as possible to these ECHP variables: the same variable names, the same definitions, the same codes. We describe the process of copying data from one survey into the format of another as ‘cloning’ (though in practice it is not always possible to produce an exactly identical copy). This means that analysts familiar with the ECHP can use the EPAG data quite easily; and analysis initiated on the EPAG data can quickly be replicated in the wider ECHP.

The Dutch panel survey was already being used as the source for the Dutch contribution to the ECHP – that is, the actual ECHP from 1994 on was ‘cloned’ from the existing survey. The German and British ECHPs were initially launched as new surveys, but Eurostat decided to clone the German and British ECHP data from the pre-existing GSOEP and BHPS with effect from 1997 onwards. Part of that work meant replicating the German and British ECHPs back to 1994, again using the pre-existing surveys. This meant that ECHP clones of all three surveys were being produced by and for Eurostat, covering the period from 1994 onwards. Our own data production covered 1991 to 1993, so that, by linking the two sources, it is possible to analyse a complete run of waves from 1991 onwards.

Thus for three countries, an extended sequence of longitudinal data has been made available three years in advance of the schedule offered by the ECHP on its own. At the same time, the new data-set is highly efficient, making use of existing data and linking with the sequence of waves being produced in any case.

A list of the common set of variables selected for cloning is provided in the Appendix to this report. Note that this is not a complete list of ECHP

variables, but is limited to key data in the fields relevant to this research: household and family structures, employment and income. Another natural limitation is that questions which were not asked in the source surveys could not, of course, provide cloned equivalents.

The variable selection and data-production methods were discussed at full meetings of the group. Each country's clone was produced by the research team from that country. For Germany and Britain, they were already the owners and producers of the source surveys. In the Netherlands, the TISSER team negotiated with the Central Bureau of Statistics to obtain access to the data. This took some time, and also required a payment to CBS from the project's budget. The full data-set is now available. Six of the research working papers produced for the project make comparisons between Germany, Britain and the Netherlands, based on the new EPAG data. A detailed code-book for the new data-set is being published as an EPAG technical paper.

While we will continue to use the new data-set in our own analytical work, it is also available to other users. Although potential analysts may approach any of the three producer institutes, ISER provides a central link. Details of the availability of the data are being set up on EPAG's web site, and advertised through international networks such as the European Centre for Analysis in the Social Sciences (ECASS). Applicants are requested to complete the existing formal procedures for access to each of the three data-sets, but all the paperwork is available from, and will be processed by, EPAG's central secretariat at ISER. Indeed, the group has achieved significant progress in promoting the wider use of the Dutch panel data. This is the first time that the Central Bureau of Statistics has accepted that foreign research institutes may get access to the data under the same conditions as Dutch research institutes, provided that they sign a contract with the CBS and make a financial contribution.

4. Researching social exclusion

The second major objective of the project was to undertake new research relevant to issues of social exclusion, making use both of the ECHP and of the new EPAG data set.

The notion of social exclusion has meaning only by implicit reference to normative ideas of what it means to be a member of and participate in society. The emergence of new concepts for the analysis of poverty is directly related to the fact that, coming after an unprecedented period of collective social mobility, unemployment was experienced as a new social reality in the 1980s. For the first time since the Second World War unemployment on a high level threatened to become a permanent feature.

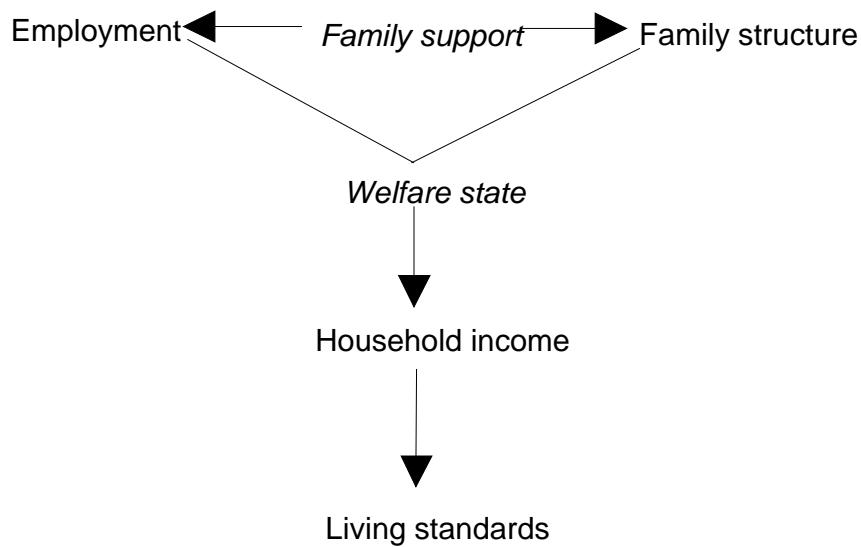
This context is reflected in the official justification set out by the European Commission in the final report on the Third Poverty Programme for ‘the increasing use of the concept of social exclusion which in the majority of member states and at Community level is gradually replacing the concept of poverty’. Thus it notes that the increase in long-term unemployment, and the marginalisation of young people who have not been able to gain employment are new phenomena which are more visible than in the past and have contributed to this transformation of the debate on poverty and social exclusion. The term is intended to highlight the gap between those who are active members of the society and those who are forced to the fringes and the increasing risks of social disintegration. A large part of the population is exposed to social exclusion resulting from changes in employment and family structures. Rather than one group living in permanent poverty and exclusion there is a variety of – increasingly large – groups whose economic and social integration is insecure, and who experience periods of sporadic or recurrent poverty.

One of the foundations for the research programme was that the many of the key domains of social and economic life are interlinked. Clearly there are distinct issues that need to be studied directly and in their own right:

- on changing patterns of partnering, child-bearing, ageing and co-residence;
- on the changing relations between human capital and institutions in an increasingly global labour market;

- on the changing impact of taxes and social security benefits on the distribution of income;
- on the lived experience of poverty in terms of consumption and exclusion.

We would argue, though, that none of these four issues can be understood properly without reference to the others. The links are simply illustrated in the diagram below. In all countries in Europe, employment is the primary means of ensuring an adequate income (and maintaining people's standard of living). But it is impossible to understand that link without direct reference to people's family positions. As a general statement, people rely *either* on their own *or* on a family member's employment to provide an income. Their decisions about family membership may therefore be influenced by employment opportunities; and their decisions about taking work may in turn be influenced by their family structure. State benefits are intended to offer incomes to people who have no earnings of their own, nor support from a family member. But, depending on the structure of the welfare state, the availability of such benefits may affect people's decisions about employment and/or family formation.



Esping-Andersen argues that the crisis for the current welfare state springs from the simultaneous failure of the family and labour markets to provide the basic level of security that Beveridge and his contemporaries relied upon. This threatens the equilibrium of welfare states whose programmes were constructed in an era with a wholly different risk profile. Institutional rigidity and the resistance of vested interest groups provide obstacles to change. Popular and political discourse recognises the emergence of a new class of 'losers' as reflected in labels such as the A-team and B-team and the 'new underclass'. But this remains an empirical question. If people's experience of marginality and want is only temporary, life chances will probably not be seriously impaired. We face a real crisis if the losers of today are losers for life. We need to establish the nature and extent of processes of cumulative disadvantage rather than assume their existence and shape. Esping-Andersen concludes that welfare states are being compelled to redefine their egalitarian promise. Behind contemporary policy concepts such as life-long learning or active labour market policy lies a move from static egalitarianism to a dynamic obligation to guarantee life-chances.

The research programme funded within this project was intended to pioneer the use of longitudinal data in the comparative analysis of a range of issues relevant to social exclusion. A principal objective was to throw new light on some key policy issues. But another aim was to demonstrate the value of panel data, and to illustrate the analytical options, during a period when it is to be hoped that many economists, sociologists and demographers across Europe are considering the research possibilities created by the ECHP.

The fifteen investigations undertaken within the programme were within four broad subject areas, as follows. There is no suggestion that these fifteen provide a comprehensive analysis of social exclusion. They are nevertheless linked, not only in the natural set of links between family, employment, poverty and deprivation, but also in specific analysis which map the connections between one domain and another. Analysis of employment inequality among couples, for example, demonstrates how family structures can affect employment outcomes. Other papers examine the effects of labour market exclusion on household poverty, and of poverty on social deprivation.

The research within these four themes is reviewed in the following pages, including short summaries of each of the papers. The papers have all been published under the EPAG imprint, and are available both in printed form and as downloadable files on EPAG's web-site. In addition to this project-related output, the research contributes to European scholarship in the normal

way, and provides the basis for conference papers, journal articles and other academic materials produced by the authors.

Changing family structures

Young people in Europe: two models of household formation
The living arrangements of elderly Europeans
Health, wealth and progeny: explaining the living arrangements of older European women

The dynamics of employment

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Exits from unemployment spells in Germany and the United Kingdom
Atypical or flexible? How to define non-standard employment patterns: the case of Germany, the Netherlands and the United Kingdom
Work insecurity, labour market exclusion and income poverty: evidence from wave 1 and wave 2 of the ECHP

Persistent versus temporary poverty

The distribution of income and relative income poverty in the ECHP
Income mobility in the ECHP
Poverty dynamics: an analysis of the 1994 and 1995 waves of the ECHP
Longitudinal poverty and income inequality: a comparative panel study for the Netherlands, Germany and the UK
Persistent poverty in the Netherlands, Germany and the UK: a model based approach using panel data for the 1990s

Deprivation

Income, deprivation and economic strain: an analysis of the ECHP
Explaining levels of deprivation in the EU
Persistent and consistent poverty: an analysis of the 1994 and 1995 waves of the ECHP

Changing family structures

There have been huge changes in family relationships across Europe within the past generation. Men and women in their twenties are much more likely than their parents were to spend a period living on their own, with friends or with a lover, before settling down and starting a family – and there are new forms of family, too. These changes have substantial implications for the future demographic structure of the population, as well as for the immediate welfare of men, women and children.

The ‘household’ base for the ECHP provides a unique opportunity to map European variations in family patterns in detail. Our studies have focused on the beginning and end of the family life cycles. They have identified a consistent division within Europe. In a ‘Northern’ group of countries young people now routinely adopt ‘intermediate’ living arrangements – no longer living with their parents but not (yet) living with a marriage partner and children. In ‘Southern’ countries, they tend to remain with their parents longer, and then often move direct to marriage and child-rearing. Indeed, in Southern Europe, parents and children often live together after the young people have reached the age of potential independence, and the retention of three-generation families has implications for the supply of family care.

Young people in Europe: two models of household formation

Using data from the European Community Household Panel, we examine the household formation behaviour of people aged between 15 and 35 in 11 EU countries. By the age of 35 the majority of people in all countries are married with children. However, there are important inter-country differences in the routes by which young people reach this state. There is evidence of two models of behaviour: a Southern European model, where people make direct transitions from living in their parents’ home to marriage and parenthood; and a Northern European model, where people leave home early and make multiple transitions via a number of intermediate states such as living alone, cohabitation, and extended periods of marriage without children.

The living arrangements of elderly Europeans

This paper uses data from the European Community Household Panel survey to chart the living arrangements of older people in 13 countries across the European Union, focusing particularly on whether older people live with a spouse, with their children, or with other adults. There are wide variations between men and women, mainly due to the

fact that women are widowed at a much earlier age than men; there are large variations with age; and there are also large differences between countries. Men and women in a 'Southern', or 'Catholic' group of countries are much more likely to live with their children, either with or without a partner, than men and women in 'Northern', or 'Protestant' countries, who tend to live with just a partner, or to live alone.

A large proportion of the older people in our sample who live with their children are receiving care within the household, particularly in the Southern countries. The giving of care is to a large extent reciprocal, with child care being provided within the household by the 'younger old', to almost the same extent as care is provided by other family members to the 'older old'. However, this reciprocity of care holds only in the case of women: older men living with their children provide very little child care, while receiving the same amount of care as older women.

Health, wealth and progeny: explaining the living arrangements of older European women

The increase in the numbers of older people across industrialised countries, and the increasing proportion of older people who live alone, have enormous implications for social policy in these countries. This paper uses data from the European Community Household Panel (ECHP) to analyse the determinants of living alone for elderly non-married women in Europe; and to examine how these determinants vary between different groups of countries. A number of methodological issues relating to research on living arrangements are also discussed. The main findings of the paper are that higher levels of income are related to a higher probability of living alone, although the relationship is S-shaped, with the main effect found in the second quartile in higher-income countries, and the third quartile in lower-income countries. Women with a limiting health problem are less likely to live alone in countries where social spending is relatively low, while women who have had more children are less likely to live alone in countries where residential mobility is relatively high.

The dynamics of employment

While there are clearly direct consequences of changing family structures in terms of fertility and the provision of care, there are indirect, economic,

consequences too. Most European countries have moved away from the convention whereby wives depended on their husbands' earnings, but there are nevertheless important 'family' effects on employment: men and women, single and married, are not independent actors. In some countries there has been a worrying polarisation: the rise in the number of 'work-rich' two earner families has been accompanied by an increase in the number of 'work-poor' families with no earner at all. The first of the projects summarised below investigates a particular example of the influence of wives on husbands' employment (and vice versa). We intend to return to these issues as a major element of the group's new research programme funded under the Fifth Framework.

The other three projects look in various ways at instability in the labour market. For many people the 'standard' expectation may be a full-time job working for an employer which can be expected to continue for many years. Of course, this standard was never universal – few people ever worked for the same firm from the time they left school until they retired. But movement in and out of jobs, between full-time and part-time, between employee and self-employed, or between work and unemployment, have become increasingly important features of the labour market in many countries.

Panel surveys contribute immensely to our ability to study these dynamics, not only through the detailed records of current employment obtained at each annual interview, but also through monthly diaries of changes in activity over the year. This offers an opportunity for longitudinal analysis at quite a fine grain. Is unemployment a temporary condition, as people move between jobs, or does it last months or even years? Analysis of the length of spells and rates of exit can shed much more light on the processes at work than the traditional static approach. Is it true that 'non-standard' working conditions are more 'insecure' (from the worker's point of view) and more 'flexible' (from the employer's point of view), or are there other characteristics of part-time jobs, short-term contracts or self-employment which make them especially attractive or unattractive? If the population is divided between those who are always, sometimes and never in a job over a period, what can we say about the influences on and consequences of those positions? Do the patterns vary from country to country? Although much of our detailed analysis has had to be based on the three northern countries in the EPA G data, early results from the ECHP suggest that there are some 'remarkable' differences between Northern and Southern Europe.

These findings have clear implications for the distribution of income – the next theme, to be discussed below.

Education, employment and gender inequality among couples: a comparative analysis of British and German household panel data

In many societies women have broadly the same educational background as men, yet work less and on average get paid less. This suggests some ‘underused’ potential. There is some reason to believe that this is not entirely wasted but is transferred from the workplace to the home. Where women have a male partner this is likely to make them more productive, through making the home more efficient, and through more effective intellectual support. He is then in a better position to earn more. While this argument re-invokes the ‘domestic labour debate’ in which it was argued, and contested, that female domestic labour subsidises employers, here it is argued that female human capital can be thought of, rather, as a subsidy of the male wage. This also straddles an important debate in economics more explicitly concerned with transfers of social capital between spouses. Should models of the male wage include a term for partners’ education? Here, in a comparison of men and women in two countries - Great Britain and (West) Germany - we do include such a term, but, using household panel data, produce models of both male and female wages. The aim is to see whether there are any apparent transfers of productivity between partners (making due allowance for social background on both sides), and if so, whether this is symmetrical. In fact, a transfer probably exists in both directions, female to male and vice versa, but the former is larger.

Exits from unemployment spells in Germany and the United Kingdom.

This paper investigates unemployment from the angle of unemployment spells experienced by individuals in Germany and the United Kingdom in the first part of the 1990s. British females have shorter unemployment spells than their male counterparts. But the reverse is true in Germany, especially East Germany. The British pattern is partly explained by a tendency for women to move to economic inactivity after a period of unemployment.

In line with the human capital approach, individuals with relatively low educational attainment tend to experience relatively long unemployment spells. Age also matters: the older the person, the lower the likelihood of leaving unemployment, for males and females in both countries. But in

Britain, those who are young and less skilled remain out of work just as long as older unskilled people.

Atypical or flexible? How to define non-standard employment patterns: the case of Germany, the Netherlands and the United Kingdom

New variants of job-tenure that are different from ‘standard’ employment patterns, (ie long-term full-time employment) are sometimes referred to as ‘atypical’ and sometimes as ‘flexible’. But the differences between these interpretations are rarely discussed. How ‘flexible’ is ‘atypical’ labour?’ There are large differences between countries in the semantic and institutional background to these issues.

We use the notion ‘non-standard’ employment as a starting point for our empirical research, based on information which takes account of working hours and type of contract. We investigate the scale of non-standard employment in Germany, the Netherlands and the UK and find major variations by age, gender and education.

We conclude that concentrating on either atypical (labour supply) or flexible (labour demand) does not adequately describe these changing employment patterns, but rather focussing on both sides of non-standard employment leads to a better understanding of the dynamics involved.

Those dynamics will be investigated in detail within the ongoing programme of work on the Dynamics of Social Change in Europe, by an intensive use of the longitudinal features of the data to shed some light on changes over time.

Work insecurity, labour market exclusion and income poverty: evidence from wave 1 and wave 2 of the ECHP

The paper examines labour market transitions using monthly information on employment status from panel data for 11 European countries, i.e. the first two waves of the ECHP (1994, 1995). The interest was particularly in transitions from insecure employment and partial exclusion (less than 24 months in employment) to work security (always employed) or full exclusion (never at work). It was decided to cluster the countries into three regions: Northern, Central and Southern Europe. The analyses of the labour market performance

of these three employment regions were supplemented with information on the relationship between longitudinal labour market attachment and income poverty.

The results reported in the paper show remarkable differences across the various labour market regimes. The Southern countries perform worse in terms of enhancing job mobility and preventing labour market exclusion, perhaps because of the lower 'work incentives' in the South. The weaker the attachment to the labour market over time the more likely people were to fall into poverty. The polarisation among the poor appears stronger in the North than in the South, probably because of a tighter means test in the North and fewer opportunities to supplement household income with income from other sources.

The analyses need longer time-series to arrive at more robust conclusions, but the results are sufficiently encouraging to continue with this dynamic approach of testing country and regime -type differences using this fabulous European panel survey.

Persistent versus temporary poverty

Inequalities in the distribution of income have long been of interest to social scientists concerned about social and economic stratification within and between societies. In principle the wealth of the rich is just as significant an indicator as the poverty of the poor, but the political issues tend to focus on the latter. Most EU countries have broadly similar national average incomes in terms of absolute purchasing power – the outliers are Luxembourg at the top of the scale and Greece at the bottom. But poverty is a relative concept, and current conventional definitions are based on fractions of each country's own national average. According to these definitions, poverty is most common in the Mediterranean countries: Portugal, Spain, Italy and Greece; and least common in the northern continental countries: Denmark, the Netherlands, Belgium and Germany.

These standard estimates are, though, based on incomes measured at a single point in time. A longitudinal approach to poverty is crucial if any assessment is to be made of its impact on people's living standards and life chances. Do some individuals spend the whole of their lives below the poverty line, while others have no experience of it? That is what would be expected in a very highly stratified society where access to economic prosperity was limited to

certain groups defined by location, class or educational background. Or are there some periods of the life-cycle – childhood, parenthood and old age, for example – when people are at risk of chronic poverty, even though they expect to fare better during periods when they have good employment prospects and few dependants. Or, again, is poverty mainly a temporary phenomenon, individuals facing hardship only over short periods when they are without a job.

Clearly, longitudinal surveys are essential to an investigation of the distribution of poverty over time. We do not yet have the data to resolve some of the longer-term issues just raised, but the household panels now available to the group provide some preliminary evidence about the stability of people's position in the income distribution. Three of the papers summarised below have used the ECHP to take a Europe-wide view of poverty dynamics. But with only two waves of data available (at the time the analysis was undertaken), the research can only take a relatively short-term view of transitions in and out of poverty. For example, as many as three-quarters of the people identified as 'poor' in wave 1 of the survey in Ireland and Portugal were still poor in wave 2; but the proportion in the Netherlands was only about half. On the one hand, far more individuals experience poverty at some time over a period than is indicated by the standard 'spot' measures; on the other hand, it may be suggested that a temporary phase of low income may have less serious an impact than persistent poverty.

While the ECHP analysis had an inevitably restricted view of the pattern of movements in income over time, the EPAG data offered a longer perspective, though confined in this case to three countries. A five-year sequence for Britain, and ten-years of data for Germany and the Netherlands, do not add up to a life-cycle analysis, but it becomes possible to allocate poverty spells between stable conditions and temporary episodes. An alternative is to use a sequence of annual estimates to divide household incomes into 'permanent' and 'transitory' components. These complex analyses show that a hard core of individuals face persistent poverty, even though many others are poor for only short periods. It is the persistent poverty which is most closely linked to employment patterns; and which varies most from one country to another.

The distribution of income and relative income poverty in the ECHP

In this paper we examine the distribution of disposable income among households in each of the countries participating in the European Community Household Panel (ECHP), and the extent of relative income poverty in those countries. This paper provides the initial

foundation for a broader programme on longitudinal income and social exclusion, by presenting a detailed picture of income distribution and relative income poverty in Wave 1.

The income data were subject to a series of alternative analyses, designed to test the robustness of the results in the light of alternative assumptions. Denmark was consistently the country with the lowest level of inequality, and the smallest proportion of people in poverty. Portugal consistently showed wide inequality and high rates of poverty. In broad terms, countries on the North European continent had more equitable income distributions than the Mediterranean countries.

Income mobility in the European Community Household Panel survey

This paper examines the extent of mobility in household income from one year to the next, using data from the first two waves of the European Community Household Panel survey (ECHP). Recent research internationally has highlighted the importance of income dynamics, based on analysis of panel data. The ECHP has unique potential as a harmonised data-set to serve as the basis for comparisons of income mobility across countries. In this paper we begin to exploit this potential by looking at income transitions from Wave 1 to Wave 2, describing these in terms of quintile transition matrices and income poverty transitions and comparing the patterns we find across countries.

The Netherlands, Luxembourg and Portugal appeared to have relatively stable patterns of income: more than 60 per cent remained in the same quintile of the income distributions between one year and the next, and less than 10 per cent moved more than one quintile between the two observations. Denmark, the UK and Greece, on the other hand, showed more volatility: less than 55 per cent remained on the diagonal and 13-15 per cent moved more than one quintile. There did not appear to be an unambiguous association between the level of poverty in wave 1 and poverty persistence.

Poverty dynamics: an analysis of the 1994 and 1995 waves of the ECHP

This paper examines mobility into and out of relative income poverty from one year to the next, using data for twelve countries from the European Community Household Panel Survey (ECHP). As well as

describing the extent of transitions, we analyse the pattern by fitting log-linear and linear by linear models commonly employed in the analysis of social mobility. Our analysis shows that cross-national variation in short-term poverty dynamics is predominantly a consequence of “shift” rather than “association effects”. In other words it is variations in the overall poverty national poverty rates at each point in time that are crucial rather than differential tendencies towards poverty persistence net of such marginal effects. Models that constrain immobility and affinity effects to be constant across country but allow for variation in the distance between categories and the hierarchy effect provide a parsimonious statistical fit of the observed pattern of mobility.

Longitudinal poverty and income inequality: a comparative panel study for the Netherlands, Germany and the UK

The increasing availability of longitudinal income data in Europe greatly facilitates the analysis of income and poverty dynamics. In this paper, the results of longitudinal data-analyses on income and poverty in three European welfare states are reported. Using panel data for Germany, the Netherlands and the UK a variety of longitudinal inequality and poverty measures have been applied to reveal these dynamics. The focus is on ‘poverty profiles’, indicating whether people belong to the permanent poor, the transient poor, the recurrent poor or the never poor. Multinomial regression models are estimated that aim to explain the likelihood of belonging to each of the poverty profiles and the events that trigger moving to other poverty profiles over time.

Our results show that there is a great deal of economic mobility in and out of poverty. Most of the poor are only poor for a short period of time but a substantial part of the population is nevertheless found to be persistently poor. This is particularly the case in the UK. In matured welfare states, income mobility and persistency of poverty both occur at the same time. Labour market events are especially likely to trigger movement into persistent, recurrent or transient poverty.

Persistent poverty in the Netherlands, Germany and the UK: a model-based approach using panel data for the 1990s

A panel regression model has been used to estimate the levels of persistent and temporary poverty in three countries. The model divides

household incomes into permanent and transitory components, on the assumption that what really matters for people's welfare in the long run is their permanent income. Poverty can be seen as a state in which permanent income falls below a predefined poverty line.

Following Esping-Andersen's seminal work on welfare-state regimes, one might perceive the UK as a liberal welfare state. Germany should clearly be considered to belong to the corporatist type and the Netherlands to the social-democratic type. The findings confirm the expectation that permanent income is lower in the UK, although not very much lower than in the other countries. Hence, the transitory part of income is slightly larger in this liberal type of welfare state. Permanent income is also more unequally distributed in the UK than in Germany, while income inequalities have a substantial transitory component in the Netherlands. Households with a non-working head are most likely to be persistently poor, particularly when the head is female.

Deprivation

It is people's income which decides their standard of living at the margin - the income determined by their employment opportunities and decisions, and influenced by government policies on taxes and benefits. So measures of the distribution of money-income in terms of drachmas, francs or kroner per month are important in their own right as indicators of economic inequality and of poverty. On the other hand it may be argued that it is the standard of living that can be achieved with a given income which is what really matters to the people concerned, and that poverty should be defined in terms of exclusion from 'normal' social activities rather than lack of money as such.

These latter considerations suggest that inequality should be measured directly in terms of people's standard of living, and that poverty should be measured as 'deprivation'. An alternative view is that poverty is a level of income which places people at too high a risk of being deprived. Either way, direct evidence about deprivation is crucial to an assessment of poverty.

The ECHP offers the first set of deprivation indicators which can be applied consistently across the countries of Europe, and analysis of these has been a major element of our research programme. Perhaps surprisingly, the set of indicators produced very similar conclusions about the components of deprivation - 'basic', 'secondary', 'housing' and so on - in all the countries

studied. This gives us some confidence in the robustness of comparisons which can be made across societies. Less surprisingly, high levels of deprivation are associated with low levels of income. But the association is less than complete: some people are poor but not deprived, and vice versa. So we can distinguish between consistent and inconsistent poverty.

And, given the longitudinal panel data, we can compare the 'consistent' poor (low income and deprived) with the 'persistent' poor (low income two years running). We do not yet have a long enough sequence of waves to unravel the relationship over time between people's incomes and their standards of living, but ultimately it may be possible to answer some of the questions, posed above in the context of income poverty, as to whether a short period with a low income is as serious as a prolonged experience.

Income, deprivation and economic strain: an analysis of the ECHP

This paper is concerned with the relationship between household income and life-style deprivation, and their combined impact on households' perceptions of economic strain. It takes as a point of departure findings from a number of European countries showing that the relationship between income and deprivation is weaker than widely assumed and that relative income poverty lines may perform poorly in terms of identifying the most deprived households. It proceeds to examine how far these conclusions about income and deprivation can be generalised to the countries included in the first wave of the ECHP.

Results show that five distinct dimensions of deprivation emerge from an overall European analysis and that these are consistent across individual countries. While a good deal of similarity is observed in the income-deprivation relationship, countries differ in the strength of relationship between income and what is termed 'current lifestyle deprivation', with the relationship being generally weakest in the richer countries. The implications of these findings for the use of relative income poverty lines are developed. Extending this analysis to an assessment of how income and deprivation combine to influence perceptions of economic strain, we show that within-nation reference group processes operated in a uniform manner across countries can account for the bulk of the variation in strain. Cross-national differences can be accounted for by corresponding variation in income and deprivation levels.

Explaining levels of deprivation in the European Union

This paper examines the determinants of exclusion from an acceptable life-style directly in terms of a measure of deprivation, rather than indirectly in terms of relative income lines. Using the first wave of the European Community Household Panel survey we analyse deprivation in a range of EU countries and address recent debates on the 'biographisation' or 'democratisation' of poverty. The analyses use a broad distinction between 'resource' and 'need' factors' to model influences on levels of deprivation and how these may vary between different nation states and welfare regimes. Overall, the results of our analysis strengthen the argument for measuring poverty directly rather than indirectly, by revealing coherent and interpretable patterns of disadvantage both within and between different states. Contrary to the thesis of biographisation, the structural socio-economic variables that we have labelled resource factors, and which were traditionally taken to be major predictors of deprivation, are still very important, although other life events do predict higher levels of deprivation. They are also the key factor in explaining cross-country variation in deprivation. The impact of class and long-term unemployment varies significantly between countries. As a consequence, European homogeneity is a great deal more evident among the advantaged than the disadvantaged.

Persistent and consistent poverty: an analysis of the 1994 and 1995 waves of the ECHP

This paper contributes to the growing literature on the mismatch observed when comparing income and deprivation measures of poverty through an analysis of the first two waves of the European Community Household Panel survey. We do so by developing for each country measures of persistent income poverty and deprivation. Our analysis shows that the mismatch between income and deprivation is greatest at the least generously defined poverty lines. A similar relationship was found for persistence. But while consistency was related to the overall level of poverty, this was not true for persistence. To develop further our understanding of different poverty measures the relationship of these variables to economic strain is considered. While deprivation has a substantially stronger impact than income, a significant interaction between the two factors is found to exist. As a prelude to a systematic multivariate analysis of the determinants of poverty, the final section illustrates the manner in which conclusions about the impact of social class on poverty are

affected by the choice of poverty measure and the country under consideration, and places these findings in the context of the recent debate on the democratisation of poverty.

5. Conclusions

Comparative studies have been severely hampered in the past by the absence of data collected on a consistent basis across a range of countries. Our new EPAG data and the Europanel have started to transform that situation, since equivalent data are available across countries and across time. Cross -country comparisons are of immense potential value:

- To the institutions of the EU itself, offering a detailed map of variations in social and economic experiences between countries and groups of countries.
- To policy makers at the national level, showing how far the social and economic problems observed locally are experienced in common with other countries.
- To social scientists seeking to understand the processes of change. If the influences identified in one country are not generalisable to other countries, it is necessary to develop hypotheses about the reasons for the differences.
- To analysts of social policy looking for general conclusions about the influence of government actions on individuals' lives.

The issues addressed here are of increasing concern to governments, anxious at the same to tackle poverty and to bring social security spending under control. The research has not mainly studied policy as such - we have not evaluated this programme or analysed the direct effects of that set of regulations. But we have begun to paint a detailed picture of the world in which social and economic policies operate, and on which (in different ways in different countries) they impinge.

The work initiated under the Fourth Framework, and described in this report, will mature in the programme of work to be undertaken by the expanded group under the Fifth Framework. We will formulate hypotheses and evaluate findings from a policy perspective: looking for contrasts between the declared aims of policy and the processes and outcomes actually observed. This broad view - across Europe, across population groups, across the relevant domains - aims to support the development of strategies at all levels of government in the early decades of the new century.