



Low income and deprivation in an enlarged Europe

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This summary is available in electronic format only

Introduction

This document summarises the findings of a research report from the European Foundation for the Improvement of Living and Working Conditions on the subject of low income and deprivation. It forms part of a series of reports on quality of life in an enlarging Europe, drawing on the findings of the European Commission's Eurobarometer surveys carried out in the EU and the 13 acceding and candidate countries in Spring 2002, as well as standard EU 15 Eurobarometer studies. Examining quality of life in 28 European countries, the report provides, for the first time, an analysis of the views and experiences of the citizens of the new Europe on aspects relating to low income, such as economic strain, income deprivation and multiple disadvantage.

Research approach

The report focuses on respondents' economic conditions as an extremely important element of quality of life and life opportunities. It concentrates on issues relating to income, life-style deprivation, subjective economic strain and multiple disadvantages within the 13 acceding and candidate countries (ACC 13). The primary focus is on the processes underlying low income and deprivation and the nature of the relationship between income, deprivation and multiple disadvantages. These issues are at the heart of social, economic and policy debates about social exclusion and social cohesion. While the focus is on the ACC 13, the report also aims to place its results in the context of new and existing findings for the EU 15. This comparison allows some of the consequences of expansion to be considered.

The approach adopted in the study takes on board the multidimensional aspects of the concept of social exclusion to consider not just access to income but exposure to a range of deprivations. Chief among these is what is termed life-style deprivation, which is measured by the enforced absence of key household items.¹ This is followed by a consideration whether there is evidence that income and life-style deprivation are linked to a broader set of deprivations identified in the social exclusion (and underclass) literature, such as breakdown in social relations, neighbourhood problems and perceived social exclusion. The definition of social exclusion used here differs from that applied in the complementary report *Perceptions of social integration and exclusion*. This report focuses on resources and relies primarily on objective measures of deprivation and low income, whereas Böhnke (2004) focuses on social relations and subjective perceptions of exclusion.

Data and methodology

The analysis draws on a new Eurobarometer study carried out in 2002 which investigates the standard of living in the acceding and candidate countries. In addition, it uses data from two standard Eurobarometer surveys carried out in 1999 and 2001. These data have been amalgamated into a harmonised data file by the WZB (see Nauenburg et al, 2003). Information from the European Community Household Panel (ECHP) was also used, although to a lesser extent.

While the Eurobarometer surveys provide useful harmonised data they are not ideal for studying poverty and deprivation. Firstly, the household income information contained in the Eurobarometer surveys is limited to a single 10 category item index asked of only one person in the household. Because of the nature of the income information the analysis is confined to income quartiles and the focus is on the factors that influence the risk of low income within countries. Secondly, in line with other household surveys, the samples do not cover some of the most marginalised

¹ Nine items are included in the index: car, television, fridge, washing machine, video recorder, dishwasher, microwave, personal computer and telephone.

groups in the society, such as the homeless or institutionalised. Therefore, the report does not seek to address the question whether the term 'underclass' can ever be applied in such societies. Rather, what was sought to establish is whether such a characterisation is appropriate for the forms of multiple deprivation to which a significant minority of households may become exposed. At the heart of the analysis is the extent to which relatively widespread forms of deprivation overlap.

What emerges from the study is a picture of both divergence and continuity. The expansion of the EU eastwards to incorporate the 10 acceding countries, or in the longer term the 13 acceding and candidate countries, will have major implications for the level of diversity in income and living standards within the European Union. The absolute levels of deprivation and subjective economic strain experienced in many of the acceding and candidate countries are considerably higher than those experienced even in the poorest of the EU 15. This is particularly true of Bulgaria, Romania, Turkey and the three Baltic states.

Measuring deprivation and economic strain

Using a seven-item deprivation scale, which overlaps with the data available for the EU 15², it was found that the mean deprivation score for the ACC 13 is 2.06, more than three times higher than the average for the EU 15. Furthermore, among the ACC 13 the mean value of the deprivation index exceeds one in nine out of 13 countries, whereas in the EU 15 this is true only of Greece, Portugal and Spain.

The measures of subjective economic strain show a similar variation. For example, one in four respondents in the acceding and candidate countries report 'great difficulty in getting by', compared to one in 25 respondents in the EU 15. The figure drops to one in five when the comparison is limited to the 10 acceding countries. On this measure, the level of economic strain in the EU 15 reaches a maximum of 11.2% in Portugal. All but four of the ACC 13 exceed this maximum by a considerable margin (the exceptions being Cyprus, the Czech Republic, Malta and Slovenia). Similarly, 23% of respondents in the ACC 13, and 11.1% within the AC 10 report serious solvency problems, compared to only 4.8% in the EU 15.³

Levels of equivalised household income in these countries are also substantially lower than the EU average. Because of the limitations of the income data, these absolute figures must, however, be treated with caution. This diversity in deprivation, income levels and economic strain has important implications for the level of expenditure and investment needed to achieve EU targets of social cohesion.

Factors influencing income levels

Alongside the diversity in the absolute levels of income, deprivation and strain there is substantial continuity in the underlying processes or risk factors across the EU 15 and the acceding and candidate countries. In both the EU 15 and the ACC 13 the strongest influences on households' relative income positions are measures that capture education, social class and the nature of households' connection to the labour market, that is, the more traditional stratification variables. Family status is found to have some effect in that the widowed, divorced and separated are economically disadvantaged in the majority of the candidate countries and in the EU 15. Gender, household type and age proved much less influential, particularly in the multivariate analysis. These results do not support the argument that traditional structural factors

² The seven item index excludes washing machine and refrigerator because these are not included in the ECHP.

³ Serious solvency problems means that respondents reported that they had serious problems in the last 12 months in paying either rent/mortgage, water/gas/heating bills, paying for food or repaying loans.

(sometimes termed vertical positions) have become less important than life-cycle or biographical factors (horizontal positions) in determining life chances. It should, however, be noted that there is no information on ethnicity, which is another horizontal or biographical factor.

A similar pattern of results was found when the factors that increase the risk of deprivation were examined. Within the candidate countries deprivation was shown to vary substantially across income quartiles, social class and employment status. On the other hand, variables such as age group, household type and marital status had little effect. These correspond closely to findings for the EU 15 based on analyses of the ECHP (see Layte and Whelan, 2002).

Multiple deprivation

The final section of the report examines the question of multiple deprivation. The analysis in this section is limited to the ACC 13; however, the results are set in the context of existing research on the EU 15. The extent to which there is an overlap between low income, deprivation, and economic strain is examined first. Then the analysis is expanded to consider whether there is an association between these factors and additional forms of exclusion raised in the social exclusion and underclass literature, such as living in a disadvantaged neighbourhood, lacking social support and feeling excluded. In doing so Heath's (1981) point has to be considered that if the existence of multiple deprivation is to be documented, one has to go beyond the degree of association between variables for the population as a whole and demonstrate the scale of overlap at the extremes.

The proportion of respondents who experience both low income and lifestyle deprivation varies significantly across the ACC 13, largely in accordance with overall levels of affluence. In Malta, Cyprus, the Czech Republic and Slovenia the figure is less than 10%, in the Central European and Baltic countries it is closer to 15%, while in Turkey, Bulgaria and Romania it is close to 20%.

Groups at risk

When examining the association between income deprivation and economic strain it was found that both income and deprivation play an important part in explaining respondents' subjective responses to their economic situation and, in particular, their sense of the household having great difficulty in making ends meet. However, while in the EU 15 deprivation is a substantially better predictor of such strain than income, this appears to be somewhat less true in the acceding and candidate countries. This finding suggests that the relative income position, taken in isolation, may be a somewhat better predictor of command over resources in these countries. This, however, is a conclusion that needs to be confirmed by further research.

When the definition of multiple disadvantage is extended to include lack of social support and neighbourhood problems (such as exposure to vandalism and crime) there is a dramatic decline in the numbers exposed to such overlapping deprivation. The highest proportion of the population who experience low income, deprivation and lack of social support is now only 9% (in Turkey), and in eight of the countries the proportion is below 3%. If neighbourhood deprivation/problems are added to the index the proportion experiencing all four types of disadvantage falls to less than 1% in 11 of the 13 countries.

These results are consistent with research on the EU 15, which has found that while income and deprivation are strongly linked there is little evidence that this is routinely associated with a breakdown of social networks and a collapse of community, as is sometimes suggested in underclass theories (Whelan et al, 2002; Nolan and Whelan, 2000). Analysis in the acceding and candidate countries shows that, despite the higher levels of deprivation and economic strain experienced, there is no significant incidence of overlapping forms of disadvantage accompanied by neighbourhood

deprivation and social isolation. Similarly, the analysis involving the acceding and candidate countries confirms earlier results from research focused on the ECHP that there is no straightforward relationship between multiple deprivation and social isolation or perceived social exclusion. Even for those in highly disadvantaged circumstances the majority did not fall below the relevant social support and social exclusion thresholds.

It has to be pointed out that while the numbers exposed to extremes of multiple deprivation are very low, for those who are unfortunate enough to be so affected, the consequences are certainly unpleasant. The small minority who experience low income, deprivation and lack of social support face high levels of economic strain. The results do not preclude the existence of 'black spots' characterised by multiple disadvantage in relation to income, lifestyle and chronic neighbourhood problems, such as crime and vandalism, but they imply that only a small minority of those exposed to disadvantage will be found in these areas. Furthermore, the exclusion of certain marginalised groups from household surveys means that the existence of minority groups to which the label 'underclass' might appropriately be applied cannot be entirely ruled out.

Policy implications

Policy responses in an enlarged Europe need to take seriously the multi-dimensional aspect of disadvantage, such as low income, life-style deprivation and economic strain. While the impact of labour market status, social class and education are found to have a wide-ranging influence this does not mean that the same or overlapping groups are identified for each dimension of deprivation. Factors such as labour market status interact with others, such as life-cycle and urban-rural location. This produces a great deal of diversity, which requires a corresponding flexibility in policy responses.

The report, *Low income and deprivation in an enlarged Europe*, is available online at www.eurofound.eu.int/publications/EF03105.htm

The other reports in the Foundation's 'Quality of life' series and accompanying summaries are available on the Foundation website at www.eurofound.eu.int/living/qual_life/index.htm

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