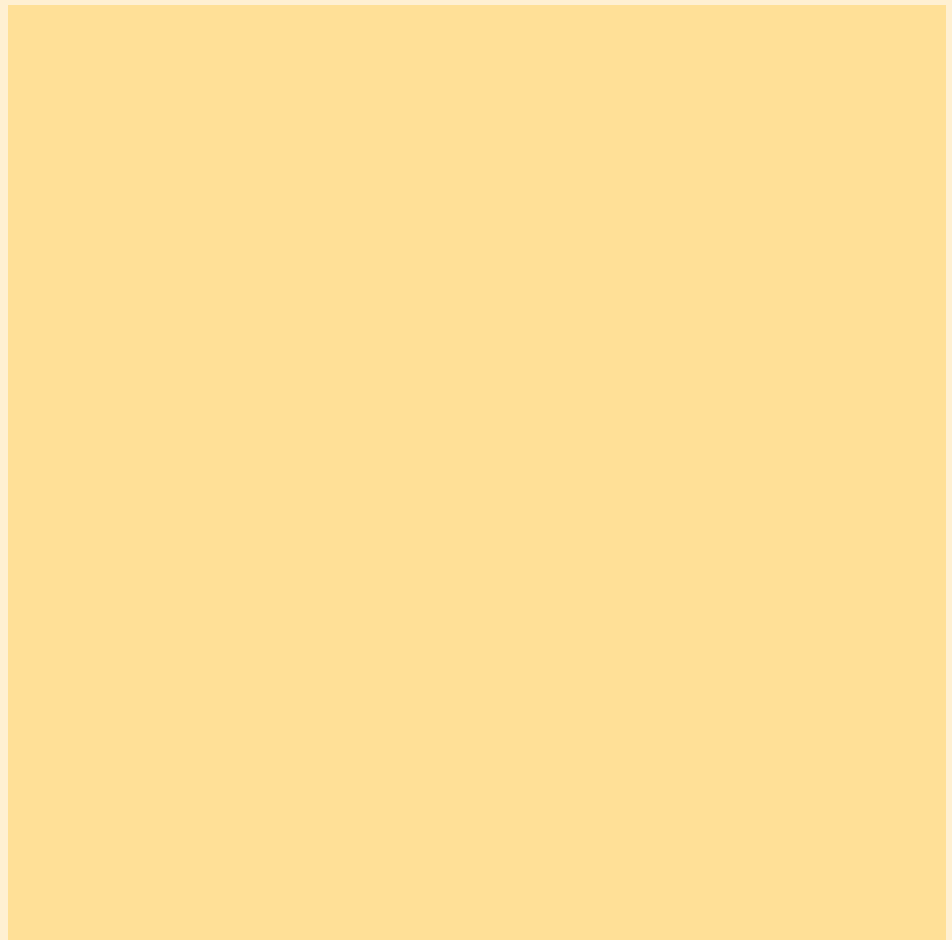




Low income and deprivation in an enlarged Europe



Low income and deprivation in an enlarged Europe

The following reports constitute part of the Foundation's series on quality of life in Europe.

Perceptions of living conditions in an enlarged Europe (consolidated report) (J. Alber and T. Fahey)

Low income and deprivation in an enlarged Europe (H. Russell and C. Whelan)

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European Foundation for the Improvement of Living and Working Conditions

QUALITY OF LIFE IN EUROPE

Low income and deprivation in an enlarged Europe

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Foreword

The Lisbon Summit highlighted social policy as a core element in Europe's strategy for becoming 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with better jobs and greater social cohesion' by 2010. This objective defines a series of social policy challenges for the EU. A separate joint report of the Directorate General for Employment and Social Affairs and the European Foundation for the Improvement of Living and Working Conditions addresses several of these key issues, such as social exclusion and poverty, the relationship between quality of life and quality of work, fertility, migration and mobility, satisfaction with quality of life, care and intergenerational solidarity.

This particular report, which provided some of the material for the above study, focuses on the topic of low income and standard of living deprivation.

Examining quality of life in 28 European countries, including the acceding and candidate countries as well as the current Member States of the EU, this report provides, for the first time, an analysis of views and experiences of the citizens of the new Europe on aspects relating to income such as economic strain, income deprivation and multiple disadvantage. The analysis is based on data from the European Commission's Eurobarometer survey carried out in the acceding and candidate countries in Spring 2002 and standard EU 15 Eurobarometers.

This report represents one in a series of reports on quality of life in an enlarging Europe that will be published by the Foundation on the basis of its own survey's findings in the next few years.

Willy Buschak
Acting Director

Country codes in figures and tables

<i>EU Member States (protocol order)</i>	
Belgium	BE
Denmark	DK
Germany	DE
Greece	EL
Spain	ES
France	FR
Ireland	IE
Italy	IT
Luxembourg	LU
Netherlands	NL
Austria	AT
Portugal	PT
Finland	FI
Sweden	SE
United Kingdom	UK
<i>Acceding countries (protocol order)</i>	
Cyprus	CY
Czech Republic	CZ
Estonia	EE
Hungary	HU
Latvia	LV
Lithuania	LT
Malta	MT
Poland	PL
Slovakia	SK
Slovenia	SI
<i>Candidate countries (protocol order)</i>	
Bulgaria	BG
Romania	RO
Turkey	TR
EU 15	15 Member States of the European Union (pre-May 2004)
EU 25	25 Member States of the European Union (post-May 2004)
AC 10	10 countries to accede to the European Union in May 2004
ACC 13	10 acceding countries, plus the three candidate countries

Note: Unless otherwise stated, the aggregate figures for EU 15, EU 25, AC 10 and ACC 13 reported here are weighted to adjust for country population size.

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Additional data on this subject are available from the Foundation at ter@eurofound.eu.int

Introduction

While in everyday language the terms ‘social integration’ and ‘social cohesion’ might seem more or less synonymous, in the social sciences arena (particularly in those areas that take their cues from the social and economic policy debates within the European Union) they have acquired almost mutually exclusive technical meanings (Fahey, 2003). This is particularly true of the term ‘social cohesion’, which is a key element in the conceptual architecture of EU integration policy. Used in that context, it refers to equality between countries and regions within the EU, particularly with regard to level of economic development. A socially cohesive EU, in this sense, is one where no country or region is much poorer or less economically developed than the norm for the EU as a whole. The process of enlargement inevitably makes the achievement of such integration targets more difficult, since many new entrant countries have a standard of living that falls far below the level of the present 15 EU Member States (EU 15).

While this report does provide some evidence of such gross disparities, the nature of the information on income and standard of living deprivation available in the Eurobarometer surveys of the 13 acceding and candidate countries (ACC 13) – analysed in the research – and the absence of strictly comparable information for the EU 15 limits the extent to which such issues can confidently be addressed. Instead, the main focus of the report will be on issues relating to the relationship between income, lifestyle deprivation, subjective economic strain and, ultimately, the notion of multiple disadvantage. Although the term ‘social exclusion’ does not appear in the report’s title, the argument developed in the report can easily be situated in the context of the debate surrounding the emergence and utilisation of this concept.

Although the term ‘social exclusion’ is often used in a loose fashion, it is possible to identify key elements. The notion of social exclusion, as Silver (1994 and 1996) argues, has meaning only by implicit reference to normative ideas of what it means to be a participating member of society. Similarly, Kronauer (1998) notes that the emergence of such concepts is directly related to the fact that for the first time since World War II, from the 1980s on, high unemployment threatened to become a permanent feature which could endanger national modes of integration. The notion of social exclusion, he argues, has no meaning outside the history and prosperity of the welfare state after the war because it presupposes a counterpart: a shared understanding of what it is to be ‘included’.

The contrast between analysis in terms of social exclusion and, for example, social class is illustrated in Paugam’s discussion (1996) of the former term. He contends that the term ‘social exclusion’ only took centre stage in France in the early 1990s as considerations arising from the operation of the *revenue minimum d’insertion* (social integration minimum income) began to modify the traditional conception of poverty. Increased emphasis was placed on the processes leading from ‘precarity’ to exclusion, in the sense of exposure to cumulative disadvantage and a progressive rupturing of social relations – a process that Paugam (1995) describes as a ‘spiral of precariousness’. The poor were seen to constitute a heterogeneous group and it was recognised that there was a need to move from a static definition of poverty based solely on income to a dynamic and multi-dimensional perspective.

The notion of social exclusion does not take account of the full range of the social distribution within countries, but rather focuses on a dichotomy between the bottom tail of the distribution (the socially excluded minority who are ‘cut off’) and the rest (assumed to constitute the ‘mainstream’).

A socially inclusive society, in this sense, is one where no individuals or households fall below the threshold of living conditions deemed necessary to provide the minimum basis for participation in the normal life of a society. The manner in which that minority is defined and the processes that are understood to underlie such exclusion are crucial. Thus, Abrahamson (1998) concludes that 'there are people who simply lack enough money to make ends meet because of their position in the social structure, while others are shut out of mainstream society on the grounds of ethnicity, social orientation, etc'.

At one extreme lie notions of exclusion that place the emphasis on elements of catastrophic discontinuity, while at the other end lie notions relating to restricted access to labour markets, educational opportunities and welfare provision, which may not always overlap. This report focuses on the latter understanding. Concern with such exclusion has been a central feature of EU policy. The focus has been not simply on inequalities but with the consequences of such inequalities for social integration. As Fahey (2003) notes, while neither 'social cohesion' nor 'social inclusion' make direct reference to social bonds between individuals and communities, there has been a presumed link, albeit often implicit, within the EU debate between material inequalities and absence of social integration, whether within or between societies.

The notion of social exclusion is not entirely new. Townsend (1979) in his seminal work considered poverty to involve exclusion through lack of resources. His emphasis on participation versus exclusion serves to make explicit the relative nature of the concept and this has been widely adopted in recent discourse in developed countries. Falling below a relative income line is an indirect measure of exclusion from a minimum acceptable standard of living. The general rationale is that those falling more than a certain distance below the average are excluded from the minimally acceptable way of life of the society in which they live because of a lack of resources. In relying on income poverty lines to make statements about poverty defined in this way, it is necessary to assume that those falling below the specified income poverty line are experiencing unacceptable levels of deprivation. The problem that must be confronted, however, is that, as has been recognised for some time (Ringen, 1987 and 1988), low income turns out to be quite an unreliable indicator of poverty in this sense because it fails to identify households experiencing distinctive levels of deprivation. Various studies of different industrialised countries have found that a substantial proportion of those on low incomes are not suffering from deprivation, while some households above the income poverty line are indeed experiencing such deprivation.¹ In the following discussion, it should be noted that the primary focus is on objective indicators of social exclusion, although the consequences of such exclusion for subjectively experienced economic strain are also examined. In a complementary Foundation report, Böhnke (2004) considers how perceived social exclusion is related to poverty and deprivation.

While, as Matsaganis and Tsakloglou (2001) note, the popularity of the term 'social exclusion' is probably not unrelated to its vagueness, most recent attempts to clarify the concept involve reference to dynamics and multi-dimensionality (Atkinson, 1998; Burchardt *et al*, 1998; Hills, 1999; Sen, 2000). In following this lead, a distinction must be made between 'cumulative

¹ These include Townsend (1979), Mack and Lansley (1985) and Gordon *et al* (1995) with British data; Mayer and Jencks (1988) with USA data; Callan, Nolan and Whelan (1993) and Nolan and Whelan (1996a and 1996b) with Irish data; Spéder (2002) with Hungarian data; Muffels (1993) with Dutch data; and Halleröd (1996) with Swedish data.

advantage' and 'multiple deprivation'. The first term refers to the dynamic process involved in the accumulation of disadvantages of social position over time. Employing the latter term implies a desire to focus on multi-dimensionality at a point in time and the notion that social exclusion involves not just low income but exposure to a range of deprivations. In this report, in the absence of longitudinal data, multiple deprivation is the obvious focus, while it should be clearly noted that the social exclusion perspective sees multiple disadvantage as emerging from a process of cumulative disadvantage.

Such overlapping or multiple disadvantage, particularly when arising from exclusion from the labour market or labour market precarity, is often taken to be the key feature of groups to whom the label 'underclass' may be applied (although it must be acknowledged that the use of this term frequently derives from ideological rather than analytical considerations). In earlier work based on the annual survey produced by the European statistical office (Eurostat), the European Community Household Panel (ECHP), it has been shown that for these countries there was little evidence in the EU Member States of the existence of large-scale multiple deprivation (Whelan *et al*, 2003, 2002, 2001a and 2001b). Within the EU 15, distinct dimensions of deprivation have been found to exist. While there are systematic associations between these dimensions, such relationships are far from being perfect. A more comprehensive understanding of the economic well-being of households requires that a multi-dimensional perspective is adopted and that the inter-relationships between these dimensions are explored.

This report seeks to establish to what extent such arguments can be generalised to the group of countries either at the acceding or candidate stage of membership of the European Union. The general term 'acceding and candidate countries' or ACC 13 is used throughout the report to refer to both the 10 countries which will accede to the EU in May 2004 (Cyprus, Czech Republic, Estonia, Lithuania, Latvia, Hungary, Malta, Poland, Slovenia and Slovakia), as well as the three remaining candidate countries (Bulgaria, Romania and Turkey). It should be noted that the analysis in both EU and acceding and candidate countries relates to a sample of households. Some of the most marginalised groups in European societies, such as the homeless or institutionalised, are particularly difficult to capture in social surveys and where they are included the numbers involved tend to make generalisation difficult. Therefore the question the report addresses is not whether the term 'underclass' can ever be applied in such societies. The question is rather whether such characterisation is appropriate to the forms of multiple deprivation to which a significant minority of households may become exposed. At the heart of the research is the extent to which reasonably widespread forms of deprivation overlap. In switching from analysis of EU countries using the ECHP to analysis of acceding and candidate countries, there are predictable differences in income levels and the scale of deprivation. However, the report will also consider whether, together with such differences in levels, there are also differences in the underlying processes. Are the arguments that are presented concerning the existence of distinct dimensions of deprivation and the limited extent of multiple deprivation directly applicable to the acceding and candidate countries? Or is there a much greater scale of disadvantage associated with the emergence of more substantial 'underclass'-type groups?

The primary concern in reporting results will be with the acceding and candidate countries, although information on EU Member States for comparative purposes is provided. This approach is justified both by the overall priorities of the project and by the data available to us. While data

on income is available for all 28 countries (both EU 15 and ACC 13), this is not true for what we consider to be the crucial lifestyle deprivation measure that is developed. In order to compare levels of deprivation between the EU 15 and ACC 13 countries, use must be made of the ECHP, relying on a more restricted index. The items relating to subjective experience of strain are available for EU countries in the European Commission's Eurobarometer files but are spread across files and while some are available in the ECHP the format is not always identical. The major focus in this report, therefore, will be on the acceding and candidate countries.²

² The main body of this report comprises relatively simple and accessible forms of analysis. However, the discussion is informed by a range of multivariate analyses relating to income deprivation and economic strain. The models are available from the authors on request.

Measuring income

This chapter focuses on income as an important, though imperfect, measure of people's access to resources and their quality of life. As will become clear, the nature of the available information on income is such that it was deemed wise to limit the research to locating households in terms of their relative position in the income distribution. Hence a comparison of absolute incomes within or across countries or estimated poverty rates will not be attempted here. Instead, the focus will be on the determinants of location in the income hierarchy, as captured by equivalent household income quartiles.

The household income information contained in the Eurobarometer surveys is limited to a single item asked of only one person in the household. Respondents were asked to select one of 10 pre-coded income categories that reflected total household income from all sources. Previous research suggests that this type of question will significantly underestimate income, especially where there is earned income or where there is more than one adult in the household (Watson and Williams, 2003). Furthermore, some members of the household would be expected to have better knowledge of household income than others — for example, the main earner will have better information than his/her child. These limitations mean that caution must be exercised in the use and interpretation of the income information. A further warning must be sounded regarding the response rates to this question in a number of countries: in Belgium, Italy, Spain, Ireland, the UK and Luxembourg, more than 40% of respondents failed to provide income information.

The relationship between household income and quality of life is dependent, among other things, on the needs of the household members. At the most basic level, needs will vary according to the number of people present in the household. Dividing income by the number of household members makes an adjustment for this need, but does not take account of the economies of scale in household consumption. For example, per capita housing costs are significantly lower for multi-person than single-person households. The size of these economies of scale is indeterminate and researchers have used a wide variety of equivalence scales to capture their effect (Buhmann *et al*, 1988). In this study, income is divided by the square root of household size, which falls midway through the range of adjustments applied in comparative research (*ibid*, p. 120).

Income information was collected in national currencies and then converted to euro. Incomes are recoded to the mid-point within each of the income categories; this value is then adjusted by the household equivalence scale outlined above. Once this adjustment has been made, income is divided into quartiles within each country. Because the base income information is categorical rather than continuous, these quartiles do not always contain exactly 25% of the sample, but range between 23% and 28%. While not wishing to focus on the absolute income levels for the reasons outlined above, it is reassuring that the ranking of countries according to mean equivalised household income are broadly consistent with rankings produced by Eurostat based on per capita GDP.

As a first step in exploring income inequality across the ACC 13 and EU 15 countries, the proportion of total income that is held by households in the bottom and top income quartile respectively in each country is calculated (*see Table 1*). The proportion of income controlled by the top quartile ranges from 39% in Slovakia to 53% in Turkey. The mean for the ACC 13 countries is 46%. In the EU 15, the proportion of income held by the top quartile ranges from 39% in Germany

to 51% in the UK and Ireland. The bottom quartile has the lowest share of national income in Turkey (7.2%) and in the UK and Ireland (8%). The ratio of income held by these two quartiles gives an indicator of overall income inequality in each country, with higher ratios indicating greater inequality. Among the ACC 13, this ratio ranges from 2.2 in Slovakia to 7.4 in Turkey. The 10 acceding countries (AC 10) exhibit less income inequality than Bulgaria, Romania and Turkey: the mean ratio for the AC 10 is 3.5, compared to 5.9 for the three candidate countries. The mean ratio for the EU 15 is 3.9.³

Table 1: Proportion of total income controlled by bottom and top quartiles within country

	Non-equivalised income		Equivalised income		
	Bottom quartile	Top quartile	Bottom quartile	Top quartile	Ratio
MT	13.1	44.7	12.2	43.7	3.6
CY	9.1	44.6	10.7	45.6	4.3
CZ	15.3	42.3	14.8	42.6	2.9
SK	14.4	40.6	17.3	38.6	2.2
SI	11.5	42.4	13.1	41.8	3.2
HU	12.7	40.9	12.4	41.8	3.4
PL	14.1	43.3	11.8	45.2	3.8
EE	10.2	46.1	9.9	46.2	4.7
LV	12.1	48.8	11.5	47.4	4.1
LT	10.0	46.9	10.6	46.6	4.4
TR	9.0	49.6	7.2	53.0	7.4
BG	8.9	49.4	9.9	48.9	4.9
RO	8.1	48.8	8.5	49.5	5.8
BE	13.5	45.8	13.1	43.4	3.3
DE	14.2	38.7	14.2	38.7	2.7
AT	13.0	42.3	12.1	40.5	3.3
NL	11.6	40.8	11.4	43.2	3.8
LU	12.6	37.5	10.6	40.7	3.8
FR	13.6	40.4	12.9	40.9	3.2
IT	12.5	41.3	11.5	43.4	3.8
ES	12.5	36.4	12.2	39.1	3.2
EL	10.5	42.7	11.0	44.1	4.0
PT	8.9	47.4	10.3	48.5	4.7
UK	7.7	49.1	8.0	51.3	6.4
IE	7.8	49.8	8.0	51.3	6.4
DK	10.1	40.6	12.0	39.9	3.3
FI	9.1	45.1	10.1	44.7	4.4
SE	10.7	43.4	11.3	43.0	3.8
Total	11.3	43.9	11.4	44.4	3.9
AC 10 mean	12.3	44.1	12.4	44.0	3.5
ACC 13 mean	11.4	45.3	11.5	45.5	3.9
EU 15 mean	11.2	42.7	11.2	43.5	3.9
EU 25 mean	11.6	43.3	11.7	43.7	3.7

Note: Calculations based on weighted income figures. Means do not adjust for country size.

Source: Eurobarometer Candidate countries (2002); Eurobarometer 54.2 (2001)

Although the Eurobarometer income data is very limited, these results are largely consistent with Gini coefficient measures of income inequality produced using national datasets. The figures

³ These means are unweighted averages of the national ratio scores (i.e. each country is given equal weighting).

reported in CIA (2002) also show that Turkey, the UK and Ireland have the highest income inequality scores among this set of countries (figures for Cyprus and Malta are not included in that source); however, Estonia is ranked second highest. The two sources diverge somewhat more on the countries with the lowest inequality: the lowest Gini scores were reported in Slovakia, Luxembourg, Hungary and Denmark.

Traditionally, stratification research has focused on variables such as social class, education and employment status as crucial mediators of life-chances to the extent that they are mediated by labour market opportunities. More recently, it has been argued that such factors have come to be somewhat less potent in structuring life-chances, while life-cycle or biographical factors (such as stage in the life-cycle, marital status and family type) have become more important and poverty or deprivation have taken a more transient form. In the following discussion, the impact of both types of variables is examined. However, the influence of such factors as ethnicity belongs outside this discussion.

Age and income inequality

Figure 1 shows that the risk of falling into the bottom income quartile for older people varies considerably within both the ACC 13 and EU 15 countries. Among the ACC 13, the elderly are over-represented in the poorest income group in Cyprus, in three of the central European countries (Czech Republic, Slovakia and Slovenia), in one of the Baltic states (Lithuania) and in both of the south-eastern European countries (Romania and Bulgaria). Older people are under-represented among the lowest income group in the other two Baltic states and in Poland and Turkey. Similar differences emerge in the existing EU Member States. Research by Stanovnik *et al* (2000) found that the relative income position of pensioner households had improved over the transition period in Poland, Hungary and Slovenia, primarily because of the decline in employment among non-pensioner households and the indexation of pensions to average wages. The Eurobarometer results presented here are most divergent in the case of Slovenia, where older people are over-represented in the bottom income quartile. However, the results reported in Stanovnik *et al* (2000) for Slovenia relate to 1993 so the differences may in part be due to the pension reforms enacted in 1999.

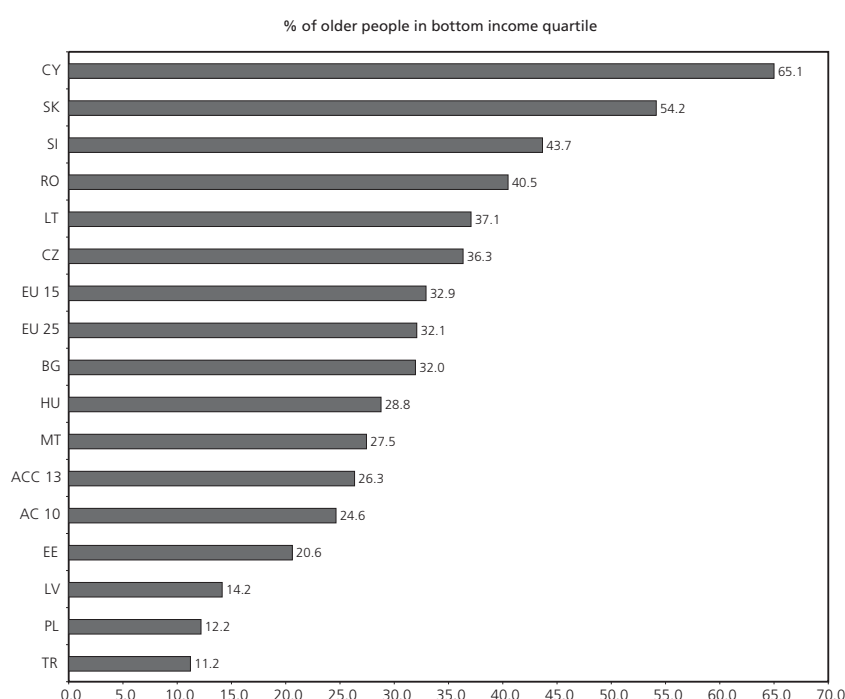
Comparing the ACC 13 to the EU 15 countries, the figure shows that old age is less strongly linked to low income in the former (26%) than in the latter (33%). The figure is slightly lower again if only the 10 acceding countries (25%) are considered. Therefore, the general pattern does not support the hypothesis that the economic transformation has increased inter-generational income inequality, at least on this limited income measure. Focusing briefly at the other end of the age spectrum, young people aged 15-24 years were found to be more vulnerable to low income in the EU 15 (34%) than in the ACC 13 (26%). However, the reliability of the income information for this age group is questionable because the majority are not the main earner and may not have full information about the earnings of other household members.

Low income and gender

The countries studied here have had rather different experiences in terms of gender equality. In the Communist era, both men and women were guaranteed the right to employment, therefore this subset of countries had significantly higher female employment rates than average in the EU 15.

Even Communism failed to eliminate the gender pay gap and women still tended to be clustered in lower paying, lower status occupations; however, the situation of women in regard to pay and occupational position compared favourably to the levels in advanced market economies (UNICEF, 1999). There is evidence that during the transition period women in some countries suffered disproportionately, as in the three Baltic states and in Hungary, Poland and Bulgaria (UNICEF, 1999). In contrast, Turkey has considerably lower participation rates among women than in Western Europe. Within the EU 15, there is also still significant divergence in the level of employment among women over different stages of the life-course and in the pay gap between men and women (Rubery *et al*, 1999).

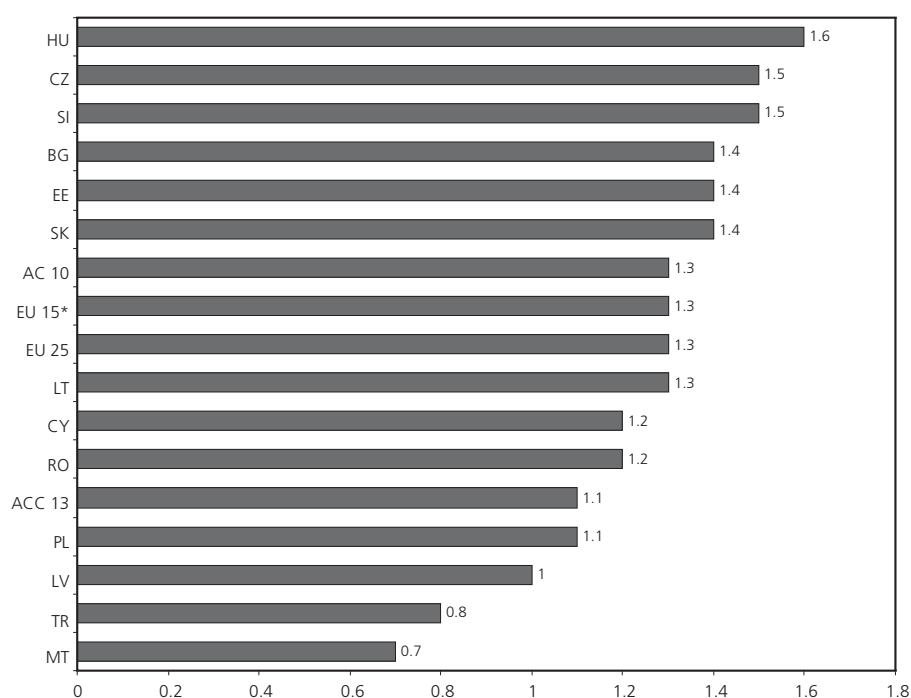
Figure 1: Low income among those aged over 65 years



Source: Eurobarometer Candidate countries (2002); Eurobarometer 54.2 (2001)

The income measure available here refers to the household. While household income is crucial for standard of living of all members, the measurement of income at the household level may obscure gender differences in access to income and economic dependence. These figures do not reveal anything about the division of resources within households.

Figure 2 compares the risks of being in the lowest income quartile for men and women using ratios. A ratio of one means that there is no difference between the sexes, while a ratio of more than one means that women run a higher risk than men of being in the lowest income group. For example, a ratio of two would mean that women are twice as likely as men to be in this income category. Ratios of less than one mean that women are less likely than men to be in the bottom quartile of the income distribution.

Figure 2: Risk of being in bottom income quartile (ratio of women to men)

Note: Ratio of one indicates that there is no difference in men and women's risks of being in the lowest income quartile.

Source: Eurobarometer Candidate countries (2002); Eurobarometer 54.2 (2001)

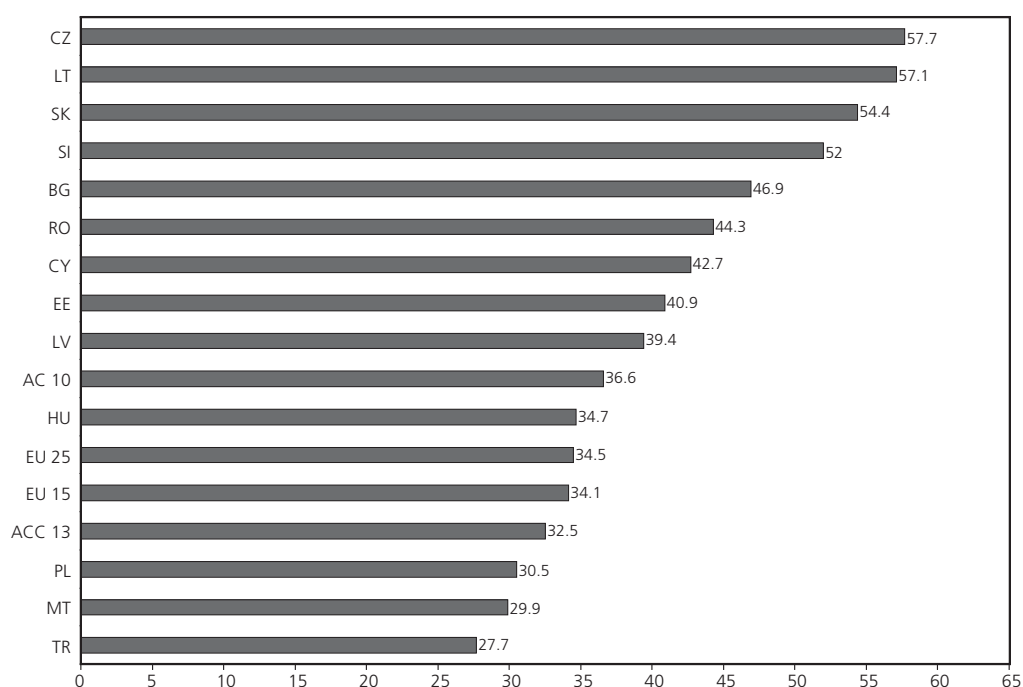
Among the ACC 13, women's relative risk of being in the lowest income group is highest in the central European countries (with the exception of Poland, where men and women are almost equally represented in this group). The ratio is highest in Hungary, where women are 1.6 times more likely than men to be in the bottom quartile. Women are also at greater risk of being in the bottom income quartile in the south-eastern European countries. In two of the Baltic states (Estonia and Lithuania), women are more likely than men to be in the low-income group. But there is no sex difference in Latvia. Finally, Malta and Turkey are the only two countries among the 28 where men are more likely than women to be in the low-income group.

In the EU 15, the ratio of women's to men's risk of being in the bottom income quartile ranges from one in Finland and Austria to 1.6 in Sweden. It is unusual that Sweden should emerge on this end of the continuum since it is more usually an exemplar of greater equality between the sexes. Overall, the ACC 13 countries exhibit a lower level of gender inequality in income, at least in this section of the income distribution, than the EU 15 countries, although the differences are relatively narrow in both country groups (1.1 and 1.3 respectively). The weighted ratio for the AC 10 is the same as the EU 15, so the initial expansion should not reduce this dimension of income inequality. It is worth reiterating here that the income figures used refer to the *household* and it is related to the sex of one respondent within that household, so it is impossible to say if these results would be repeated at the individual level.

Low income and education

Figure 3 presents the relationship between education and the likelihood of being in the bottom income quartile.⁴ The relationship between income and education is exceptionally robust. In 27 of the countries studied, those in the least educated group are significantly over-represented in the bottom income quartile – Belgium is the only exception. This relationship is partly a function of age since in most countries the elderly have lower levels of education and lower cash incomes (see above). However, the relationship between education and labour market outcomes (such as earnings and unemployment risk) is very widely established, which provides a more direct link between education and low income.

Figure 3: % of those who left education before age 16 in the bottom income quartile



Source: Eurobarometer Candidate countries (2002); Eurobarometer 54.2 (2001)

The proportion of those who left school before the age of 16 in the bottom income quartile ranges from 30% in Malta to 58% in the Czech Republic. (The figure of 25% would be expected if there was no association between income and education.) Similarly, in all countries except Latvia, those with the longest education history are under-represented in the bottom income quartile.

Among the ACC 13 countries, the widest gap in the risks of the most and least educated occurs in the two Mediterranean islands (where the low educated are over ten times more likely to be in the bottom quartile) and in Turkey, where the ratio is 8.7. In the Central European and south-eastern European states, the ratio between the two groups is between four and six, with the exception of

⁴ Education is measured at the individual level, while income is measured at the household level. The fact that the individual is not necessarily the main earner or head of household might weaken the relationship. However, there is a strong correlation between the education levels of family members.

Poland where the ratio is lower. Lithuania also fits with this middle group. In the other two Baltic states, there is a weaker, but still significant association between education and income (ratio of 2). Taking the 13 acceding and candidate countries together, one-third of the least educated are located in the bottom income quartile and they are over three times more likely to be in that situation than those who left education after the age of 20.

In the EU 15, the association between education and income is slightly less powerful. Here, the overall ratio between the least and most educated group is 2.5. This weaker association arises because the highest educated are in a somewhat less advantaged position than those in the ACC 13. In the EU 15, the widest gap between education groups occurs in the UK, Portugal and Luxembourg, and the narrowest gap is observed in Belgium and France. Early school-leavers are most over-represented in the bottom quartile in the UK and Denmark.

Low income by family status

Information on family status within the Eurobarometer is limited to household size and marital status. Household size does not have a strong uniform effect on the risk of being in the bottom income quartile. In six of the acceding and candidate countries, the likelihood of being in the bottom income quartile is highest among single-person households (Cyprus, Slovakia, Slovenia, Bulgaria, Romania and Lithuania). In contrast, in Malta, Latvia, Poland and the Czech Republic, these single-person households have the *lowest* risk of being in the bottom income group. In these countries, as well as in Hungary, it is the largest households (five or more members) that are most vulnerable to being in the low income group.

These results need to be interpreted in the context of cross-national differences in family size and living arrangements. The mean household size in the ACC 13 countries ranges from 2.8 in Estonia and Hungary, to 4.6 in Turkey. There is similar variation in the relationship between household size and income in the EU 15 countries, although again the highest incidence of low income tends to occur in households at either end of the size spectrum. Comparing the mean figures for the ACC 13 and the EU 15 shows a broadly similar income distribution by household size, but smaller households appear to enjoy a somewhat smaller risk of low income in the acceding and candidate countries.

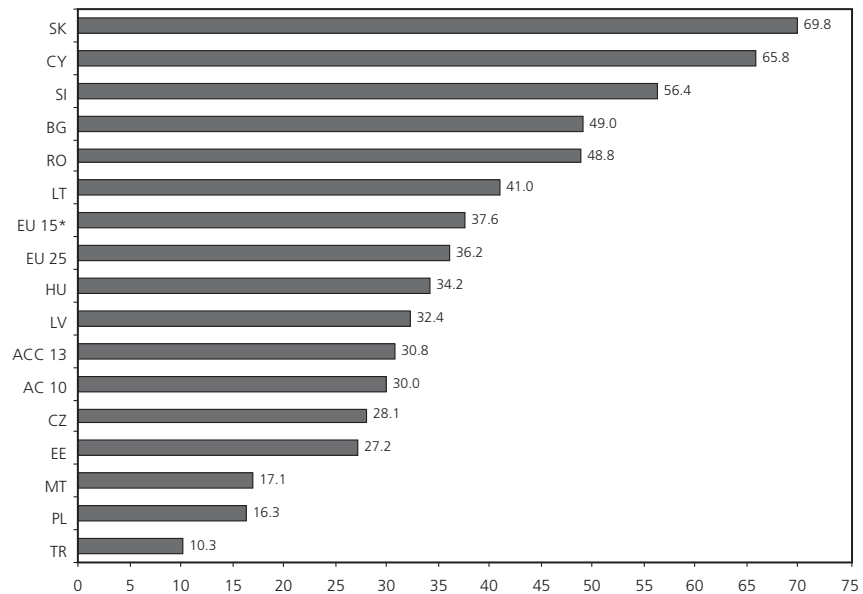
In terms of marital status, Figure 4 shows there to be a concentration of the widowed/divorced or separated in the bottom income quartile in a number of the acceding and candidate countries in Central Europe (Hungary, Slovakia and Slovenia), in the south-eastern European countries (Bulgaria and Romania) and in two of the Baltic states (Latvia and Lithuania). However, this income disadvantage for the widowed/divorced/separated group appears to be less pronounced in the ACC 13 countries compared to the EU 15. The percentage in the bottom quartile is 31% and 38% respectively in the two groups of countries. There is no systematic relationship between income quartile and being married/co-habiting compared to being single.

Low income by employment status

The nature of a household's connection to the labour market is found to have a strong impact on income levels (see Figure 5). Here the focus is on the employment status of the *main earner* since

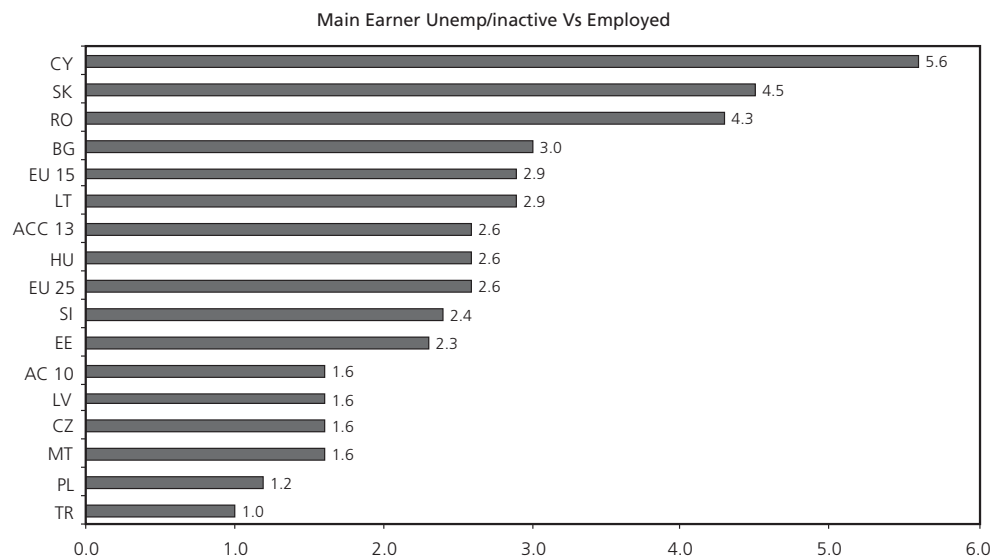
this is likely to be most crucial in determining the standard of living of the household.⁵ In the majority of the national samples, there were less than 50 respondents with an unemployed main earner and completed income information, therefore those without a market income (i.e. the unemployed and economically inactive) are grouped together.⁶

Figure 4: Risk of being in bottom income quartile among widowed/divorced/separated



Source: Eurobarometer Candidate countries (2002); Eurobarometer 54.2 (2001)

Figure 5: Risk of being in the bottom income quartile (ratio of non-employed to employed)



Source: Eurobarometer Candidate countries (2002); Eurobarometer 52.1 (1999)

⁵ A similar but slightly weaker relationship is found in both the ACC 13 and EU 15 countries using the employment status of the respondent.

⁶ The economically inactive include those who define themselves as retired, in full-time home duties, in education/training, or long-term sick/disabled.

In all acceding and candidate countries except Turkey (and to a lesser extent Poland), households with a main earner who is not employed experience a greatly enhanced risk of low income. It should be noted that in both Turkey and Poland the risk of low income among the *unemployed* was very high⁷, but the inactive are shielded from this effect, which produces the low overall risk. The more advantageous position of the inactive compared to the unemployed is likely to reflect the social welfare arrangements operating in these countries. A relatively high risk of low income among the non-employed is found in the south-eastern European countries (Bulgaria and Romania) and in Cyprus and Slovakia, where this group are over three times more likely to be in the bottom income quartile than households where the main earner is employed.

Overall, the strength of the association between income and employment status is weaker in the ACC 13 countries (and the subset of 10 acceding countries) than in the EU 15. This occurs partly because the employed in the EU 15 are better protected against low income than the employed in the acceding and candidate countries, perhaps reflecting a wider discrepancy between wages and social welfare income in the existing EU countries.

Low income and social class

The final determinant of income status examined is social class. Here the risk of being in the bottom income quartile across five social classes is analysed. Figure 6 contrasts the position of households in two of these classes – those where the main earner is in the service class and those in the unskilled class. The difference in the risks of low income between these two groups is again expressed as a ratio. These ratios are significantly larger than those observed for other factors such as sex and employment status, and similar in magnitude to those found for education. These results suggest that social class captures an important dimension of households' control over financial resources, even in post-Socialist countries.

In all the acceding and candidate countries, unskilled manual households are at least three times more likely to be located in the bottom income quartile than those in the service class. The countries fall into three categories: the Baltic states where the ratio is between 3 and 4; the central and south-eastern countries where the ratio is between 6 and 8; and Romania and Malta where the ratio is over 10. (The figure for Malta should be treated with caution because of the small number in the unskilled class.) Despite the long period of state socialism in many of the acceding and candidate countries, which might have been expected to have weakened the impact of class, the strength of the relationship between class and income is only marginally lower in the ACC 13 countries than in the EU 15 (6.8 and 7.3 respectively).

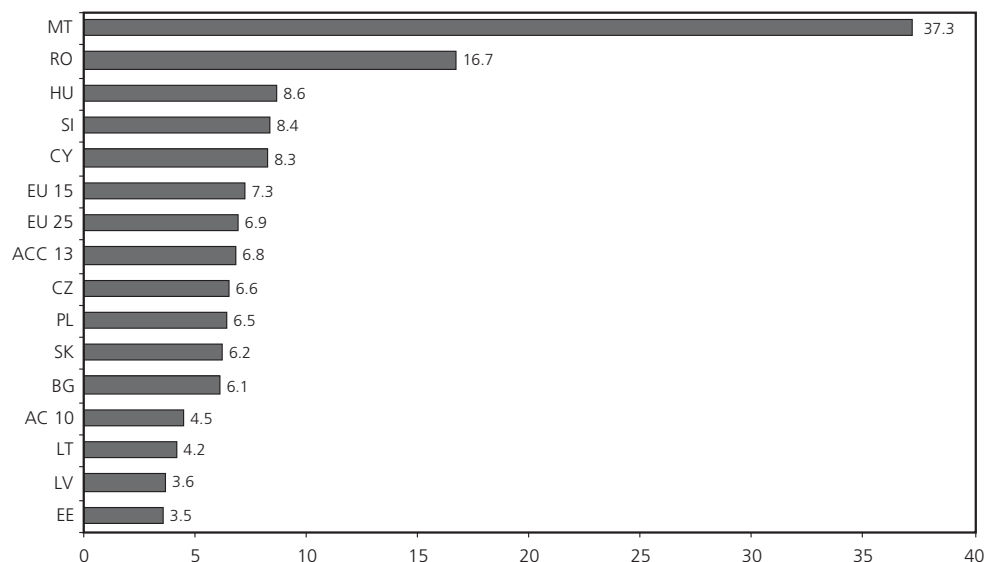
Conclusion

In summary, it is the traditional stratification variables that are found to have greatest purchase in explaining the distribution of income within acceding and candidate countries. The strongest

⁷ Poland and Turkey were also the only two countries with more than 50 cases in the unemployed category.

influences on households' relative income positions are measures that capture education, social class and the nature of households' connection to the labour market. This is confirmed by a multivariate analysis, which shows that class and employment status are the most consistently significant factors. Age had an impact at the bivariate level, but when other factors are controlled it became insignificant in most countries. It is likely that the negative impact of being over 65 on income is captured by employment status since most of this group are economically inactive. Gender inequalities do not emerge as strongly as might be anticipated, but income is measured at the household level and individual differences in earnings and control over income are not addressed. The main effect of family status is observed among the widowed, divorced or separated group, who are found to be economically disadvantaged in the majority of the ACC 13 and also in the EU 15. Research in the EU suggests that this disadvantage is concentrated among lone parents.

Figure 6: Income status by class of head of household (ratio of unskilled to service class)



Note: In Cyprus, Malta and Slovenia, there are less than 50 cases in the unskilled category. There is no information available for Turkey.

Source: Eurobarometer Candidate countries (2002); Eurobarometer 52.1 (1999)

Perhaps one of the most striking findings is the similarity in the factors affecting risk of low income across the ACC 13 and EU 15. Despite the different economic and social histories, the processes underlying economic advantage and disadvantage are remarkable similar. However, there is some evidence that the strength of these relationships is slightly weaker in the acceding and candidate countries, except education which is an indicator of somewhat greater meritocracy. This suggests some legacy of the Communist era in the transition countries.

Measuring deprivation

Research using the survey of the European Community Household Panel (ECHP) has shown that, to understand economic well-being, it is necessary to take into account not only current household income but also more direct measures of living standards, such as deprivation. The dataset for the acceding and candidate countries contains a similar, but not identical, set of deprivation items to those included in the ECHP (wave three, 1996). These indicators also employed the same question format used in the ECHP. Thus, respondents were asked if they possessed a set of items and in each case where they did not, they were asked to indicate whether it was because they did not need the item or could not afford it. Only where an item was lacking due to affordability was it deemed to constitute a deprivation. Having eliminated certain items from the original set of 15 — on conceptual grounds because their inclusion would have involved duplication or because of their inappropriateness as indicators of generalised deprivation — there were nine items remaining:

- TV;
- video recorder;
- telephone;
- refrigerator;
- washing machine;
- dish washer;
- microwave;
- car or van; and
- PC.

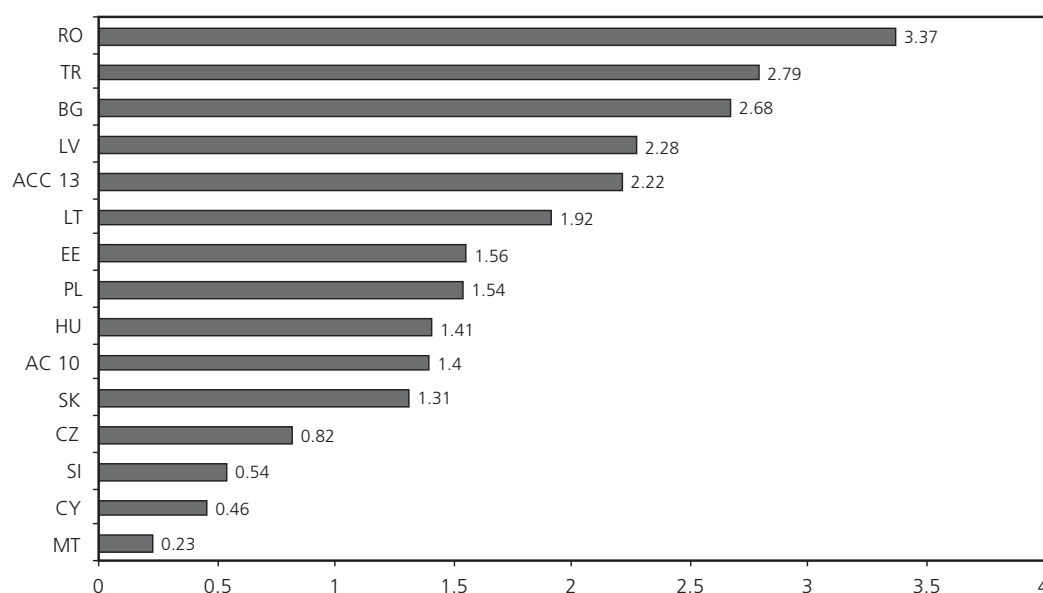
An analysis conducted on the sample weighted to produce results for the acceding and candidate countries overall showed that this set of items displayed a high level of reliability, with the value of Cronbach's alpha reaching .82. Such a satisfactory level of reliability means that each of the component indicators is acting as a measure of the same underlying dimension.

Results relating to deprivation results are presented in terms of simple summing of items, for a number of reasons. The first consideration relates to transparency and ease of interpretation. However, we also consider this decision to be justified on conceptual grounds. The focus in the following discussion includes a consideration of differences among acceding and candidate countries and between such countries and the EU 15. As a consequence, a weighting system that took into account the frequency of a deprivation within a country would obscure vital differences. One could use a set of weights based on the ACC 13 countries or indeed all 28 countries. However, this would be unlikely to affect the conclusions substantially, while making presentation of the findings a great deal more difficult. Therefore, weights are applied only as a means of correcting for sampling errors within countries.

Figure 7 shows mean levels of deprivation employing the 9-item deprivation scale for the ACC 13 countries. The range of deprivation runs from a low of 0.23 in Malta to a high of 3.37 in Romania. In terms of country groupings, there is a deprivation gradient running from high to low as follows:

- South-eastern Europe — Bulgaria and Romania
- Turkey
- Baltic — Lithuania, Latvia and Estonia
- Central European — Poland, Czech Republic, Slovenia, Slovakia and Hungary
- Mediterranean islands — Cyprus and Malta

Figure 7: Mean deprivation by country



Source: Eurobarometer Candidate countries (2002)

The Introduction stated that the 9-item index is not available for the EU countries. However, results for the 7-item scale, which excludes ‘washing machine’ and ‘refrigerator’, show that the ACC 13 mean deprivation level of 2.06 is over three times higher than that for the EU 15 (see Table 2). The level for AC 10 countries reaches 1.40, giving a level over twice as high as the EU 15. In the ACC 13, the value of this latter index exceeds one in nine out of 13 cases, whereas for the EU 15 this is true only of Spain, Greece and Portugal. Furthermore, while the observed value exceeds two in four of the acceding and candidate countries, this is true for none of the EU 15. Thus, the deprivation indices constructed in the research succeed in distinguishing, in a manner consistent with the authors’ expectations, between groups of acceding and candidate countries and between such countries and the EU 15.

Determinants of deprivation

Based on detailed breakdowns of mean deprivation on the 9-item scale for each of the acceding and candidate countries by a range of socio-demographic variables, the statistical presentation will be restricted to a set of charts documenting deprivation differentials between key categories of variables found to have a significant influence. Figure 8 shows the ratio of mean deprivation between those located in the first income quartile and those in the fourth quartile. Here, Slovenia constitutes an outlier, with a value of almost 10. The other countries lie in the range running from 1.69 in Bulgaria to 3.6 in Poland. Thus, there is no association between national levels of deprivation and degree of inequality as captured by the quartile ratios.

As a consequence, the pattern of cross-national relativities is reasonably stable within quartiles. It follows that those located in higher quartiles in the countries with higher levels of deprivation are frequently experiencing higher levels of deprivation than those found in lower quartiles in countries with lower average levels of deprivation. An illustrative case is those located in the fourth income

quartile in Romania, who display a level of deprivation that is higher than that observed for the lowest income quartile in six of the remaining acceding and candidate countries. If this is true within the restricted range of deprivation found in such countries, then this conclusion should hold with even greater force if the analysis is extended to incorporate the EU Member States.

Table 2: Mean deprivation (on 7-item scale)

Country	
MT	0.22
CY	0.45
CZ	0.80
SK	1.29
SI	0.54
HU	1.37
PL	1.52
EE	1.54
LV	2.07
LT	1.79
TR	2.57
BG	2.36
RO	2.92
BE	0.36
DE	0.76
AT	0.47
NL	0.29
LU	0.26
FR	0.36
IT	0.53
ES	1.15
EL	1.22
PT	1.99
UK	0.45
IE	0.89
DK	0.52
FI	0.56
AC 10	1.40
ACC 13	2.06
EU 14	0.64

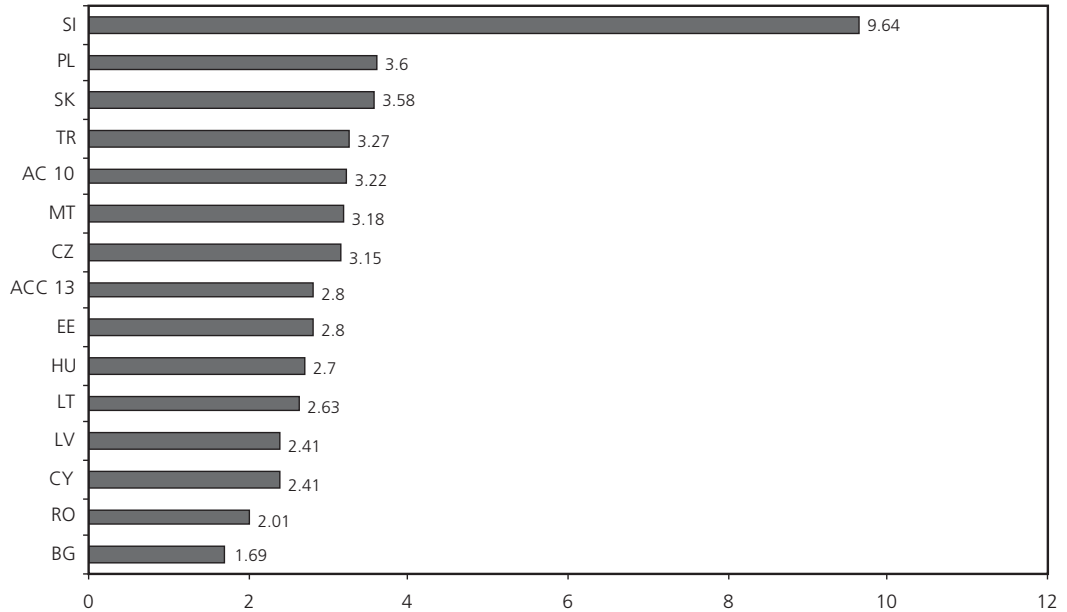
Note: Sweden is not included in the 1996 ECHP

Source: Eurobarometer Candidate countries (2002); ECHP (1996)

Turning to the impact of the social class of the main earner in the household, Figure 9 presents the ratio of mean deprivation between the service class (professional and managerial) and the unskilled manual class. The largest value is again observed in the case of Slovenia, although in this case the value for Malta is almost as high. For all other countries, the value exceeds one and ranges from a low of 1.17 in Cyprus to a high of 3.49 in Estonia. Generally, the gradient of deprivation runs from the service class to routine non-manual and petite bourgeoisie and farming to skilled manual and then to unskilled manual. Once again, within-country differences within classes are substantial and seem to be a good deal more important than between-country disparities in class inequalities. While absolute differences in deprivation between countries are greatest for households where the main earner is unskilled manual, national relativities are actually greater in

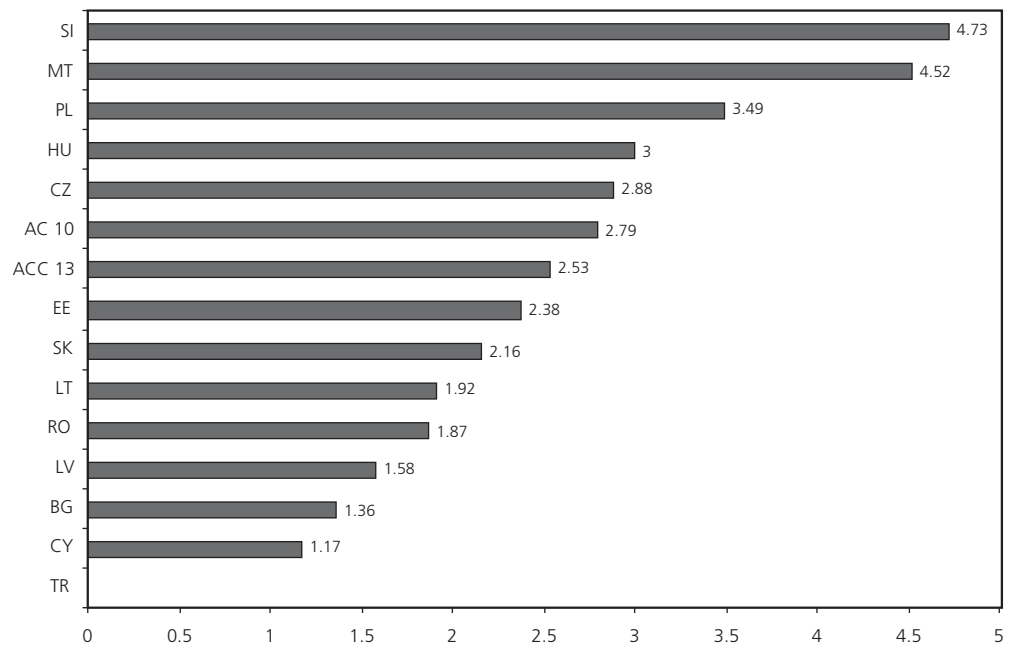
other classes. Thus, while the highest ratio arising from a between-country comparison of the unemployed achieves a value of 8.7, the corresponding value is 13.1 for the skilled manual class, 25.5 for the petite bourgeoisie, 16.2 for the routine non-manual class and 20.3 for the service class. Within-class country inequalities, therefore, greatly exceed in magnitude the between-class disparities across countries.

Figure 8: Ratio of mean deprivation in the first to fourth income quartile



Source: Eurobarometer Candidate countries (2002)

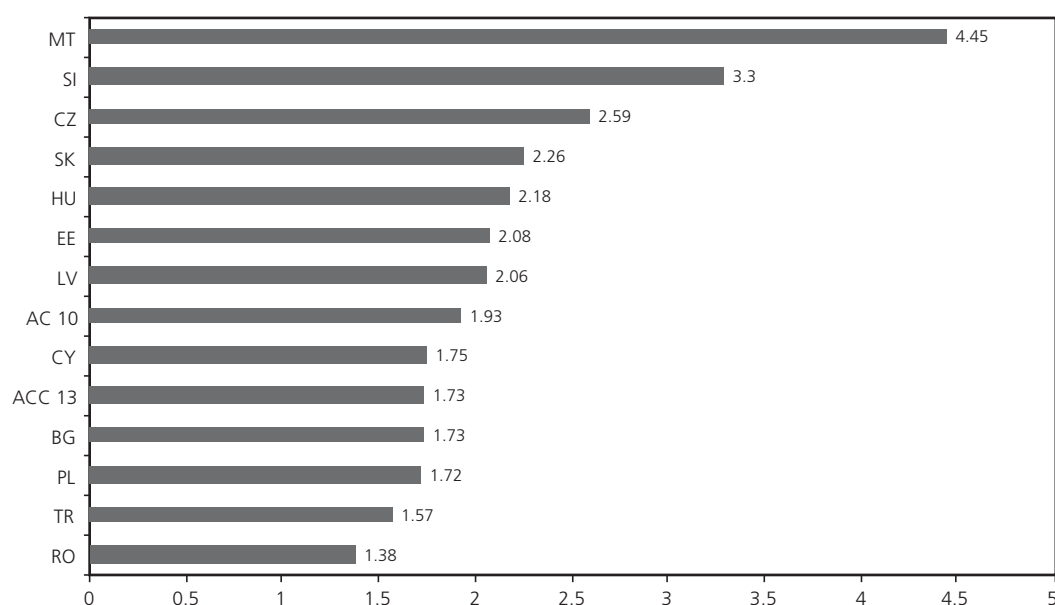
Figure 9: Ratio of mean deprivation of unskilled manual to service class



Source: Eurobarometer Candidate countries (2002)

Figure 10 summarises the impact on deprivation of the labour force status of the main earner. In particular, it documents the distribution across country of the ratio of mean deprivation for unemployed and employed main earners. In this case, the highest value of 4.45 is found in Malta, followed by Slovenia with a value of 3.30. The remaining values are in the range 1.38 to 2.58, with the lowest value being observed for Lithuania. As with the earlier analysis, further investigation shows that, while there is a clear and consistent relationship between employment status and deprivation, substantial differences exist by country within each employment status. Thus, among the employed the mean level of deprivation ranges from 0.22 in Malta to 3.01 in Romania, giving a ratio of 14:1. For the inactive, the comparable figures are 0.19 and 3.64 respectively, resulting in a ratio of 19:2. For the unemployed, the relevant figures are 0.84 (Cyprus) and 4.44 (Bulgaria), giving a ratio of 5:3. Thus, between-country differences are actually smaller for unemployed heads of households.

Figure 10: Ratio of mean deprivation of unemployed/employed



Source: Eurobarometer Candidate countries (2002)

Further analysis relating to the impact of age, marital status, household size and gender shows that the impact of such variables is extremely modest in comparison to the variables documented here.

Conclusion

Having developed a statistically reliable measure of lifestyle deprivation, research findings show that substantial differences exist between acceding and candidate countries and also between such countries and EU Member States. Within the acceding and 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. It was thus those variables associated with traditional stratification analysis that were of greatest importance and there was little evidence of differences consistent with the notion that the risk of

being exposed to deprivation is becoming more closely associated with individualised biographical events (for a discussion of related issues, see Layte and Whelan, 2002). While a substantial social structuring of deprivation within acceding and candidate countries is observed, the fact that cross-national differences within socio-economic categories are much greater than within-country variation across such categories indicates that the distribution of individuals and households across such categories can account for only a modest proportion of cross-national differences in deprivation levels. Were this analysis to be extended to include EU Member States, this conclusion would hold with even greater force.

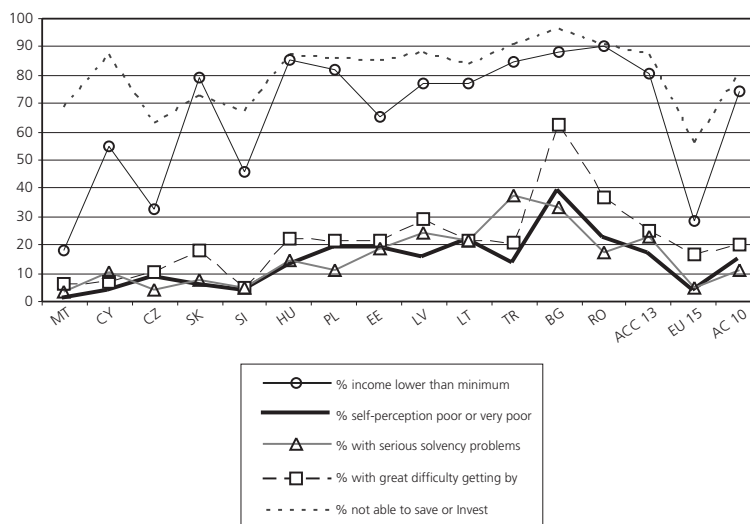
Distribution of economic strain

Thus far, the focus has been on objective measures of economic well-being, such as income and deprivation. However, it is well known that the relationship between such measures and respondents' subjective perceptions and evaluations is by no means perfect. This chapter documents such subjective responses and examines their relationships to income and deprivation.

In the following discussion, a number of subjective indicators are used, all of which, in their final versions, are in a dichotomous format.

1. The first relates to whether the respondent thought that the total income of the household was lower than the net monthly income that the household would have to have *in order to make a living*.
2. The second distinguishes those who thought that they had *great difficulty in getting by* with their household income.
3. The third identifies those who considered that the description '*poor*' or '*very poor*' came closest to describing their present standard of living.
4. The fourth focuses on those who are currently *unable to save or invest* part of their monthly income.
5. The fifth identifies those with *serious solvency problems* in the sense that members of the household have had serious problems in the past 12 months in paying either rent/mortgage, water/gas/heating bills, paying for food or repaying loans.

Figure 11: Subjective economic strain by country



Source: Eurobarometer Candidate countries (2002); Eurobarometer 56.1 (2001); Eurobarometer 52.1 (1999)

Figure 11 and Table 3 document cross-national variation across the acceding and candidate countries for each of these variables. Overall levels for the ACC 13, AC 10 and EU 15 groups of countries are also recorded. The indicator suggesting the highest level of economic strain is that

Table 3: Distribution of economic strain by country

Country	% Lower Income	% with Great Difficulty	% Perceived Poor + % Very poor	% not able to save	% with serious solvency problems
MT	18.4	6.5	0.8	69.0	3.7
CY	55.0	6.9	3.4	87.4	10.5
CZ	32.6	10.7	8.5	63.2	4.0
SK	79.0	17.8	5.4	72.9	7.3
SI	45.8	5.2	3.6	67.7	5.2
HU	85.2	22.1	12.3	87.5	14.3
PL	82.0	21.8	18.7	86.1	11.3
EE	65.2	21.6	18.9	85.5	18.8
LV	77.0	28.9	15.4	88.2	24.2
LT	77.2	21.8	21.6	84.0	21.7
TR	84.7	20.5	13.5	91.3	37.8
BG	87.9	62.7	39.1	96.8	33.0
RO	90.1	36.9	22.1	90.9	17.5
BE	31.7	4.8	5.2	56.8	6.7
DE	13.5	2.1	2.2	42.4	3.0
AT	16.1	2.4	2.3	43.5	4.2
NL	18.1	2.9	0.7	31.2	2.7
LU	7.7	2.4	1.7	38.2	3.2
FR	30.3	5.7	2.9	66.7	7.5
IT	40.8	3.3	1.1	61.6	3.3
ES	33.8	3.4	3.6	66.2	1.6
EL	53.8	10.2	5.4	77.4	22.6
PT	66.4	11.4	18.6	69.0	11.8
UK	26.8	5.6	5.1	59.4	5.0
IE	24.2	3.8	4.5	65.7	2.8
DK	8.8	0.9	2.7	49.4	1.6
FI	30.2	4.0	7.9	61.2	6.1
SE	20.3	2.1	3.0	37.7	3.5
EU 15	28.5	4.1	3.4	56.4	4.8
AC 10	74.1	19.8	14.7	81.7	11.1
ACC 13	80.9	24.7	16.5	87.2	23.2

Source: Eurobarometer Candidate countries (2002); Eurobarometer 56.1 (2001); Eurobarometer 52.1 (1999); ECHP (1996)

relating to 'not possessing a level of income sufficient in order to make a living' (No. 1 above). Four-fifths of respondents in the acceding and candidate countries indicate that their income does not reach this level, compared to three out of 10 respondents in EU Member States. As will become clear from an examination of the other indicators, the reference point or standard being used here is clearly higher than that pertaining to getting by or to avoiding poverty.

The second indicator relates to having great difficulty in getting by. One in four respondents in the acceding and candidate countries report such difficulties, compared to one in 25 in the EU Member States. Bulgaria constitutes an outlier, with a value in excess of 60%, while in no other country does

the level rise above 40%. In general, the rank ordering of acceding and candidate countries is consistent with the information presented in Chapter 2 on objective lifestyle deprivation, with the highest value being observed in Bulgaria, Romania and Latvia, and the lowest in Malta, Cyprus and Slovenia.

Turning to the number who consider themselves to be 'poor' or 'very poor', this is true for one in six respondents in the ACC 13 countries and one in five in the AC 10 countries, compared to less than one in 10 in the EU Member States. Once again, the rank ordering is generally consistent with expectations, with the highest value of almost 40% being observed in Bulgaria and the lowest in Malta (1%). Nine of the acceding and candidate countries report rates above 10%, while among the EU countries this is true only of Portugal.

The fourth indicator relates to ability to save or invest. The value of this indicator is limited by the large numbers indicating that they are unable to do so. This is true of almost nine out of 10 individuals in the acceding and candidate countries and over 50% in the EU. However, the ability to differentiate within these sub-sets is limited.

The final indicator relates to serious solvency problems. While almost one in four report such problems in the acceding and candidate countries, this is true of only one in 25 in the EU Member States. Within the acceding and candidate countries, one-third or more of respondents in Bulgaria and Turkey report such problems, while this is true of less than one in 10 in Malta, Cyprus, Slovenia and Slovakia. In nine of the acceding and candidate countries, the figure exceeds 10%, whereas in the EU this is true only of Greece and Portugal.

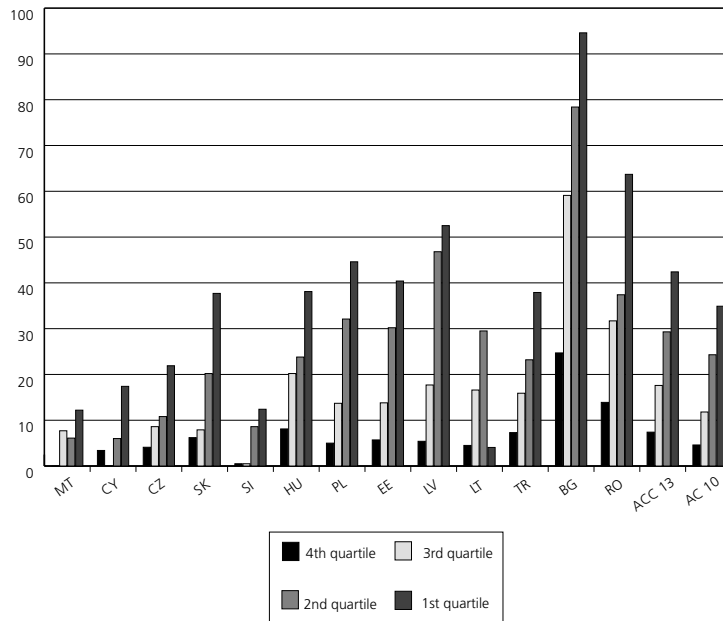
Although the absolute levels of reported economic strain vary substantially across indicator, the general patterning of cross-country differences remains broadly similar. In particular, if the two items involving extremely high rates are excluded, the level of disadvantage experienced by the acceding and candidate countries in comparison with EU Member States as a whole lies in a relatively narrow range, running from 4.8:1 to 6:1.

Determinants of economic strain

In the following analysis of the determinants of economic strain, the focus will be on the indicator relating to the percentage experiencing great difficulty in getting by or in making ends meet. This indicator identifies a significant minority in almost all of the acceding and candidate countries and, apart from the extreme value for Bulgaria, is distributed across countries in a manner consistent with expectations. While the focus will be on this variable, additional analysis shows that rather similar patterns of results are found for the indicators concerning solvency and self-perception of poverty.

Figure 12 shows, for each of the acceding and candidate countries, the clear and systematic relationship between position in the income hierarchy and the probability of reporting that one's household is having great difficulty in getting by. In reporting across country ranges, the results for Bulgaria will be generally not taken into consideration because of their extreme nature. Now the reported level of economic strain within the lowest quartile runs from almost two-thirds of respondents in Romania to less than one in eight in Malta. Three countries have values exceeding

Figure 12: % having great difficulty in getting by, by income quartile

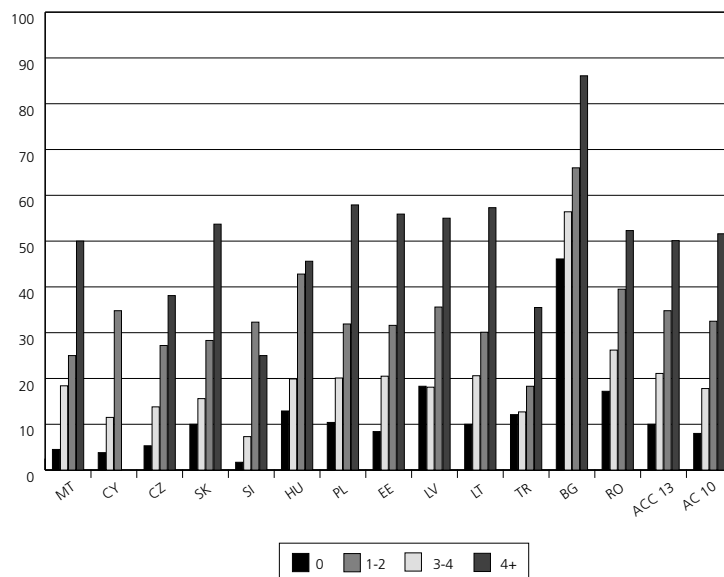


Source: Eurobarometer Candidate countries (2002)

50%, six are above 40% and nine are higher than 30%. There is a gradual decline across quartiles such that in the highest quartile only in Bulgaria and Romania does the value exceed 10%.

Figure 13 shows the impact on economic strain of deprivation levels. Here, there are differences between experiencing no deprivation, those lacking one-two items, three-four items and more than four items. (It should be noted that there are no respondents in this final category in Cyprus.) It is

Figure 13: % having great difficulty in getting by, by deprivation level



Source: Eurobarometer Candidate countries (2002)

clear from Figure 13 that among those lacking four or more items, in eight of the 13 acceding and candidate countries at least one in two respondents report that their household has great difficulty in getting by. Among those lacking three-four items, this holds true only for Bulgaria. However, in all countries other than Turkey at least one in four report such difficulty. For those lacking one-two items, only in Bulgaria does the figure significantly exceed 20%. Finally, for those managing to entirely avoid such deprivation, in 11 of the 13 acceding and candidate countries one in eight experience economic strain. Thus, both relative income position and experience of lifestyle deprivation have a substantial impact on economic strain and do so in a manner that is remarkably similar across countries.

Conclusion

While different indicators necessarily suggest different absolute levels of economic strain, relative risk of economic strain in the acceding and candidate countries is systematically related to position in the income hierarchy and exposure to lifestyle deprivation. Furthermore, both influences operate in a strikingly similar fashion across countries. Concern with cross-national differences should not lead us to ignore the fundamental importance of cross-national similarities in underlying processes of stratification (Erikson and Goldthorpe, 1992).

Thus far, income and deprivation have been looked at separately. But from the perspective of social exclusion, it is necessary to address the issue of the extent to which such factors, among others, combine to create a situation of multiple deprivation. The process by which people come to be exposed to multiple deprivation and a progressive rupturing of social relations has been a central concern of the literature on social exclusion. Berghman (1995) views social exclusion as involving a social process in which the creation and reinforcement of inequalities lead to a state of deprivation and hardship from which it is difficult to escape. Paugam (1996) focuses on the process leading from labour market precarity to social exclusion, the 'spiral of precariousness' as he calls it (1995). In each case, the need to move from a static definition of poverty based solely on income to a dynamic and multi-dimensional perspective is stressed.

Attempts to grapple with the changing nature of social stratification have thus provoked increased reference to the emergence of multiple disadvantage, which is qualitatively different from that formerly associated with working-class disadvantage or with the exposure to poverty. Yet, at the same time, as the shift from a uni-dimensional to a multi-dimensional perspective, from static to dynamic analyses, and to an emphasis on relations have become defining characteristics of the social exclusion perspective, the volume of research documenting the nature and extent of multiple disadvantage has been rather modest. Efforts have largely focused on the effects of unemployment and employment precarity on social isolation (Paugam, 1995 and 1996; Paugam and Russell, 2000).

In view of this, it is regrettable that much of the treatment of social exclusion overstates both the novelty of emphasising multiple disadvantage and the limitations of traditional poverty analysis. In relation to the first issue, the earlier analysis has shown the danger of assuming, rather than establishing, multiple disadvantage by demonstrating that the relationship between income poverty and deprivation varies systematically across dimension. Furthermore, as Heath (1981) stresses, in order to document the existence of multiple deprivation, we have to go beyond the degree of association between variables for the population as a whole and demonstrate the scale of overlap at the extremes.

In pursuing such issues, it is necessary to keep in mind that the nature of the results will be substantially influenced by the dimensions one chooses to examine and the deprivation cut-off points selected. Furthermore, it should again be stressed that the conclusions cannot be generalised to the type of marginalised groups who are not adequately captured by the type of social surveys that provide the data on which the analysis is based. Here, the available information on income and deprivation is first combined (Gallie and Paugam, 2002; Moisiu, 2002; Tsakloglou and Papadopoulos, 2002; Whelan *et al*, 2001a and 2002). In so doing, three categories are distinguished:

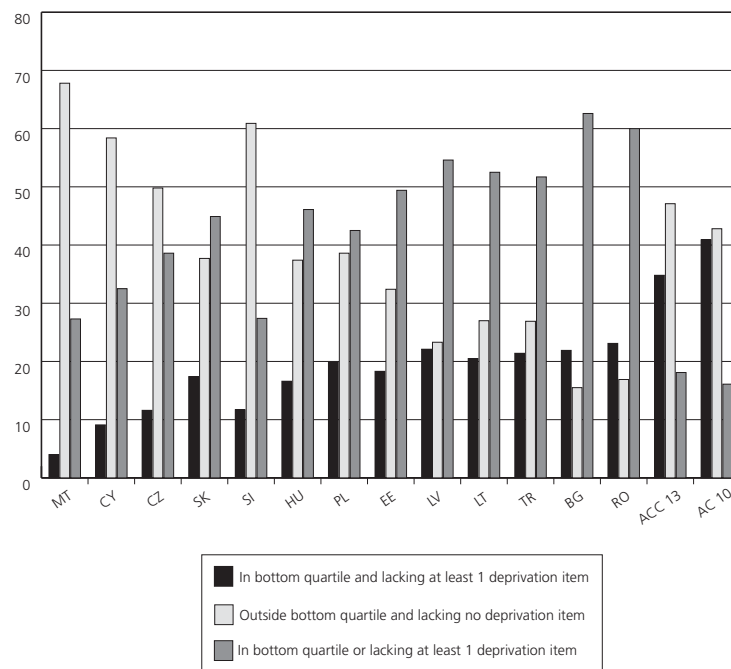
- those located in households outside the bottom quartile and lacking none of the deprivation items;
- those located in the bottom quartile *or* lacking at least one deprivation item;
- those located in the bottom quartile *and* lacking at least one deprivation item.

Distinguishing between those experiencing deprivation only and those experiencing solely low income provided relatively little further differentiation on the key variables with which the research is concerned.

Figure 14 sets out the distribution of respondents across the categories of this combined income/deprivation measure for each of the acceding and candidate countries. There are only three countries (Malta, Cyprus and Slovenia) where a majority of respondents avoid both types of deprivation. For the Baltic countries, southern European countries and Turkey, this category contains at a maximum one-sixth of respondents and at a minimum one-third. The intermediate category constitutes in excess of 40% in nine of the 11 countries and clearly would require further differentiation for many purposes.

Of more significance is the final category of multiply deprived respondents who experience both relative income and lifestyle deprivation. In nine of the 13 countries, this group constitutes between one-sixth and one-quarter of respondents. In Cyprus, the Czech Republic and Slovenia, it is nearer to one in 10, while in Malta it is as low as one in 25. These groups constitute plausible candidates for identification as multiply deprived and socially excluded groups. In the following discussion, this hypothesis is tested by examining the manner in which this group is differentiated from the others in terms of a number of key variables.

Figure 14: Distribution of combined income/deprivation variable by country



Source: Eurobarometer Candidate countries (2002)

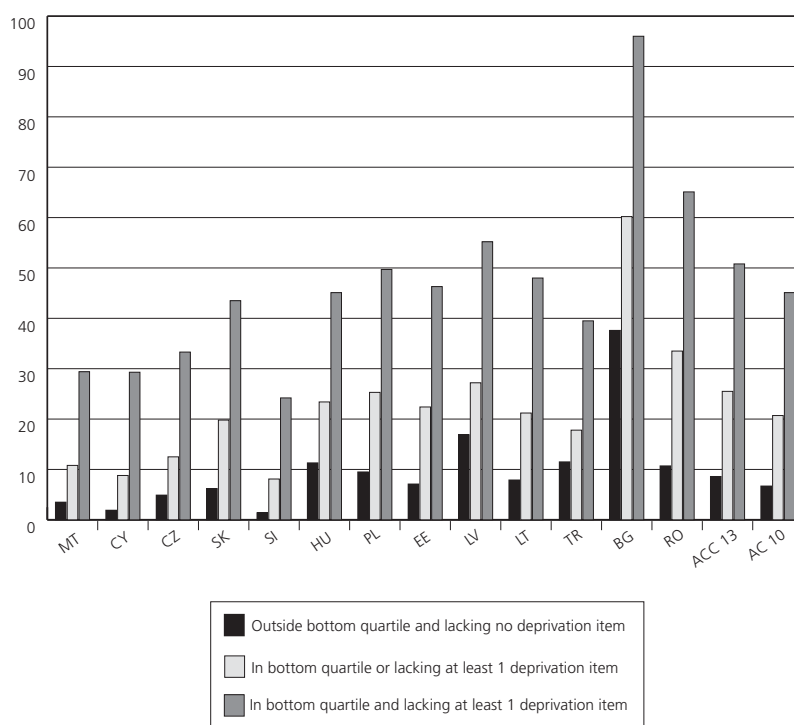
In examining the consequences of multiple disadvantage in terms of income and deprivation, the following key variables are considered:

- The first variable is the measure of economic strain referred to in Chapter 3, indicating the feeling that one’s household has great difficulty in getting by on its current income.
- The second variable captures the risk of living in a disadvantaged neighbourhood and distinguishes between those having four or more problems out of a possible total of seven in their neighbourhood; such problems include unemployment, violence, drug abuse, vandalism and theft.

- The third variable relates to lack of social support and distinguishes respondents who could not rely on help from outside the household in case of depression *and* financial restriction.
- The final variable relates to perceived social exclusion and distinguishes respondents who agree or strongly agree with two or more statements relating to being 'left out of society', not being able to 'play a useful part in society', etc.

Figure 15 shows the relationship between position on the combined income/deprivation variable and the risk of experiencing economic strain. It is clear that there is a systematic differentiation between the three categories in terms of this risk. For those respondents who are consistently advantaged, the risk hardly exceeds one in 10 for 11 of the 13 countries. For those experiencing either low income or lifestyle deprivation, the figure is at or above 20% in 10 of the 13 countries. Finally, for those experiencing both types of deprivation, the figure is at 40% or above in nine of the 13 countries.

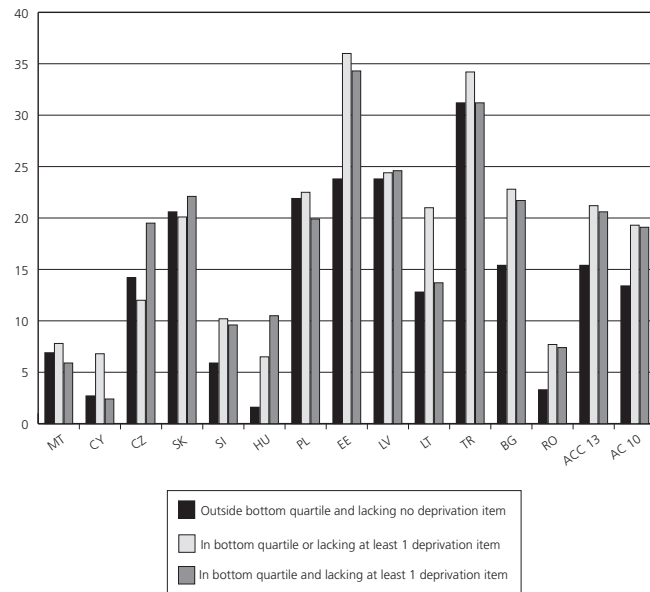
Figure 15: Great difficulty by combined income/deprivation situation



Source: Eurobarometer Candidate countries (2002)

Figure 16 examines the relationship between consistent deprivation and risk of living in a deprived area. Here, the relationship is far less clear-cut. In fact in most countries there was no association. The risk of living in a deprived neighbourhood varies significantly across countries. Thus, among the consistently deprived it goes from less than 3% in Cyprus to over 30% in Turkey and Estonia. However, such variation is equally evident among the consistently advantaged. It is important that the vast majority of those on low income and experiencing lifestyle deprivation are *not* living in neighbourhoods characterised by problems of deprivation and disorder.

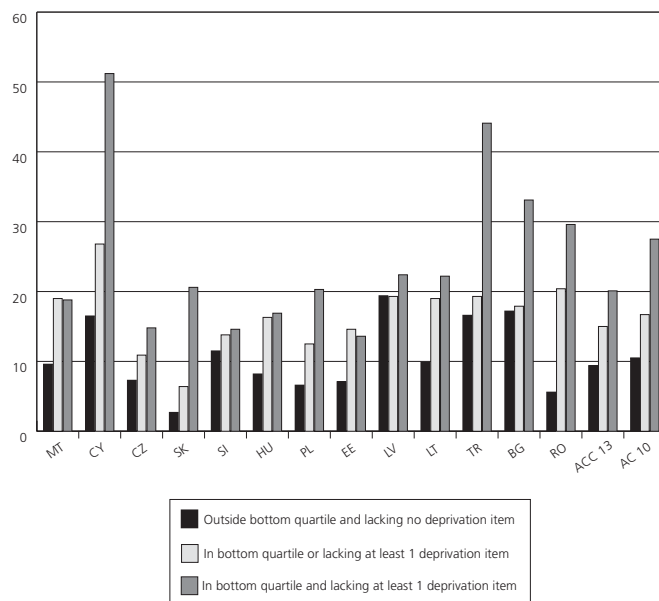
Figure 16: Living in a deprived area by combined income/deprivation situation



Source: Eurobarometer Candidate countries (2002)

Figure 17 sets out the relationship between the consistent deprivation classification and lack of social support. Here may be observed a generally positive relationship, but the extent varies considerably across countries. Thus, among the more affluent countries, it is extremely strong in Cyprus, intermediate in the Czech Republic and relatively weak in Malta. In the poorer countries this also holds true. In the Baltic countries it is rather weak, while in the south-eastern European countries and Turkey it is relatively strong. In any event, it should be kept in mind that even among the multiply deprived lack of social support is very much a minority phenomenon in most countries. In only three of the 13 countries does the proportion rise above one-third.

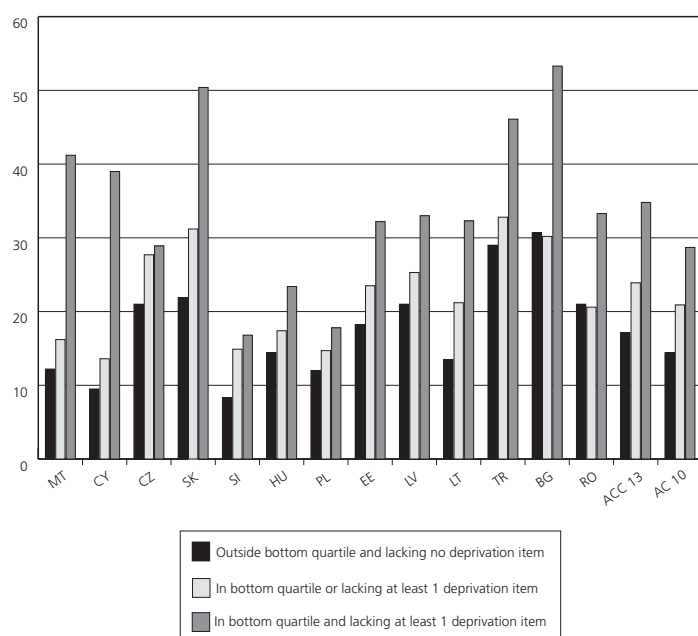
Figure 17: Lack of social support by combined income/deprivation situation



Source: Eurobarometer Candidate countries (2002)

Finally, Figure 18 illustrates the relationship between consistent income and lifestyle deprivation and perceived social exclusion and perceived social exclusion. The relationship is rather clearer than in the case of social support, although still exhibiting variability across countries. The association is weakest in Poland and Slovenia, where only one-sixth of respondents fall below the perceived social exclusion threshold that was chosen. Elsewhere, the figure ranges from one in four in Hungary to just above one in two in Bulgaria. In nine of the 13 countries, the figure exceeds 30%. Among those experiencing one form of deprivation, the figure rises above 30% only in Bulgaria and Turkey, and in seven of the 13 countries one in five or less report such feelings. The major contrast is between those consistently deprived and all others, although it is true that the lowest level of perceived exclusion is generally found among the group who are consistently advantaged. Once again, it should be kept in mind that, while those who are consistently deprived are substantially more likely to perceive themselves to be socially excluded, it remains true that in only two cases are the majority of such respondents found above the perceived social exclusion threshold.

Figure 18: Perceived social exclusion by combined income/deprivation situation



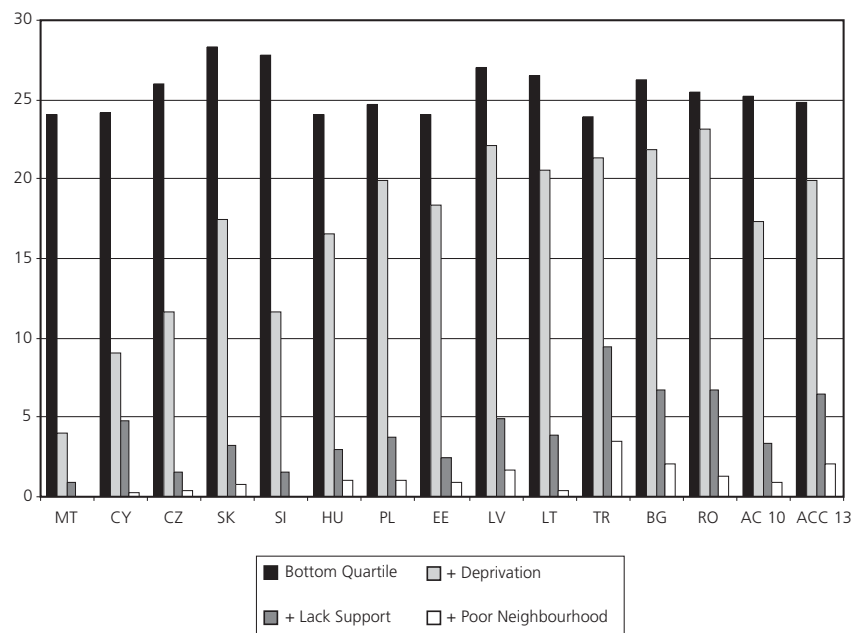
Source: Eurobarometer Candidate countries (2002)

Scale of multiple deprivation

The discussion to date has been operating from a *risk perspective* in that the relationship between the set of categories relating to the combination of low income and lifestyle deprivation and other indicators of economic strain and social exclusion has been explored. Except in the case of neighbourhood problems, the research found that such association did exist. However, the magnitude of such correlation varied across indicator. The following discussion adopts an *incidence perspective* in that establishing the proportions of the overall population exposed to overlapping multiple disadvantages is the main focus. Thus, starting with the bottom quartile, the first priority is to establish what proportion of the population is located in this quartile *and* also to report lifestyle deprivation. Then, the proportion *also* lacking social contact is established and, finally, the numbers *also* living in problem neighbourhoods.

Figure 19 sets out the results of this analysis. As noted in the Introduction, because the base income information is categorical rather than continuous, the proportion referred to as being in the bottom quartile is in some cases greater than 25% and in some cases lower. While this slightly complicates the estimates, it has little effect on the overall conclusions. Figure 19 shows that the proportion subjected to both low income and deprivation varies significantly across countries largely in accordance with overall level of affluence. Thus in Malta, Cyprus, the Czech Republic and Slovenia, it is less than 10%. In the Central European and Baltic countries, it is closer to 15% and in Turkey and the southern European countries it is closer to 20%. When one adds the condition of lacking social support, there is a dramatic decline: the highest level is now found in Turkey, where it reaches only 9%. In Romania and Bulgaria the level reaches 5%, while in Latvia and Cyprus it is 4%. In eight countries, it is less than 3%. Finally, when the condition of neighbourhood deprivation is added, a further dramatic decline in the numbers exposed to multiple deprivation is observed. The highest level is found in Turkey (3%), but in only one other case does the figure exceed 1%.

Figure 19: Scale of multiple deprivation by country



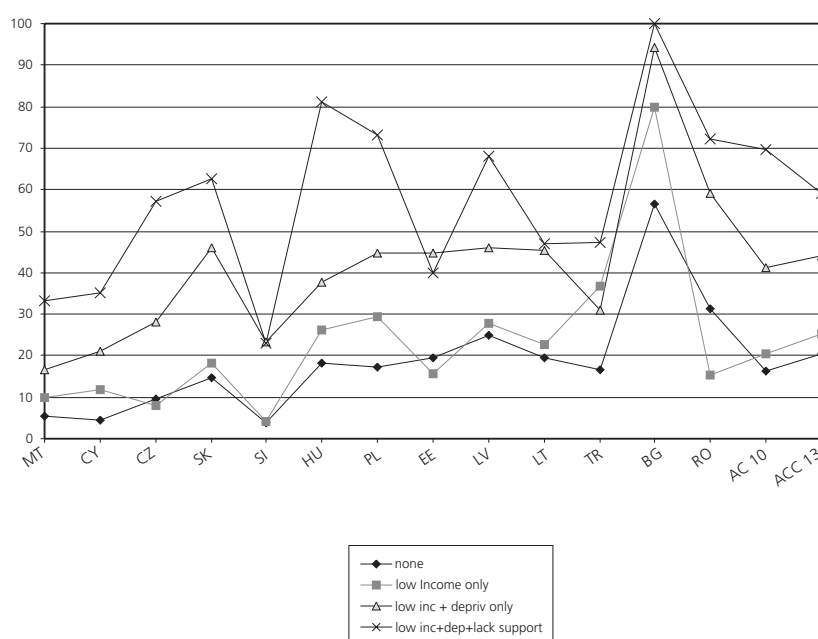
Source: Eurobarometer Candidate countries (2002)

It is necessary to make clear that while the numbers exposed to extremes of multiple deprivation are extremely modest, for those who are unfortunate enough to be so affected, the consequences are indeed unpleasant. Figures 20 and 21 illustrate this in relation to risk of the household having extreme difficulty in getting by on its income and lack of social support. However, in doing so we have to omit the stage of multiple deprivation involving the addition of neighbourhood problems because the numbers involved are too small to make reliable estimates. Indeed, even at the stage of taking social support into account, the numbers are smaller than desirable. Thus, the set of categories go from deprivation on none of the forms of deprivation, to low income, plus lifestyle deprivation, plus lack of social support.

Figure 20 presents the percentage of respondents at each successive level of deprivation that are experiencing financial strain. It is striking that in the majority of countries the level of financial strain among those with low income only is not much higher than among the general population. The main exception to this pattern is in Turkey and Bulgaria, where there is a difference of 20 percentage points between those with low income and those outside the bottom quartile who are not experiencing any form of deprivation.

For the remaining acceding and candidate countries, the main divergence arises when deprivation is added to low income. In all countries except Turkey, those experiencing low income *and* lifestyle deprivation experience significantly higher levels of economic strain than those with low income alone. Adding social support deficits to the multiple deprivation index increases the proportion experiencing financial strain in 10 of the 13 countries. It should be stressed, however, that in all countries except Turkey, Bulgaria, Romania and Poland, there are less than 30 people in this category so results should be interpreted with caution. Among this small group experiencing multiple disadvantage, more than one in three experience economic strain in all countries except Slovenia. In seven countries, more than half this group have difficulty in getting by. In Poland and Romania the figure is over 70%, while in Bulgaria all respondents in this multiple-disadvantaged category have great difficulty in getting by.

Figure 20: % experiencing great difficulty in getting by, by multiple deprivation

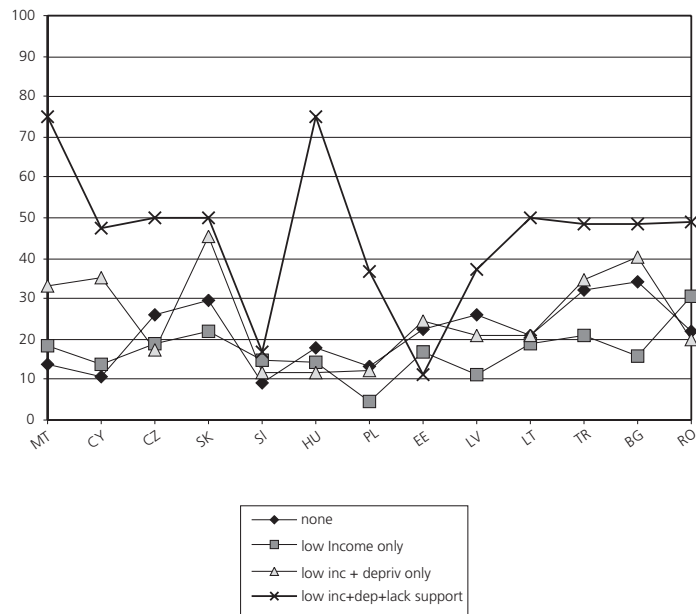


Source: Eurobarometer Candidate countries (2002)

A similar pattern emerges in Figure 21, which considers the relationship between multiple deprivation and perceived social exclusion. Low income alone is not associated with a higher rate of increased feeling of social exclusion in most of the acceding and candidate countries. In eight of the 13 countries, including all the Baltic states and most of the central European countries, perceived social exclusion is higher among those experiencing no disadvantage than among those on low income alone. In a number of countries (Slovakia, Estonia, Bulgaria and the Mediterranean

islands), adding lifestyle deprivation to income works in the predicted manner – by increasing levels of perceived social exclusion. However, in the remaining countries there is little difference between this doubly disadvantaged group and those experiencing no disadvantage. It is only among those also experiencing social isolation that the relationship between multiple deprivation and social exclusion becomes more clear-cut and consistent across countries. This suggests that the social support and contact dimensions are most influential in terms of people’s feelings of social exclusion; however, the small numbers involved prevent any firm conclusions in this respect.

Figure 21: % experiencing perceived social exclusion by multiple deprivation



Source: Eurobarometer Candidate countries (2002)

Conclusion

A great deal of recent discussion on the nature of poverty and social exclusion shares with the ‘underclass literature’ a focus on the spatial concentration of disadvantage in areas or neighbourhoods and the manner in which isolation from mainstream values leads to behaviour and orientations that contribute to a vicious circle of deprivation (Friedrichs, 1998; Kleinman, 1998; Nolan and Whelan, 2000). However, as Whelan *et al* (2002) stress, analysis drawing on the ECHP reveals no systematic relationship between persistent poverty and reports of vandalism or neighbourhood crime in EU Member States. Furthermore, the vast majority of the persistently poor do not report such problems in their area.

Given the weakness of the observed association, variation across countries in the extent to which the persistently poor experience such problems largely reflects cross-national variations in the overall level. The research’s finding – based on analysis of the dataset for the acceding and candidate countries – that there is no significant relationship between multiple disadvantage (defined in terms of low relative income and lifestyle deprivation) and neighbourhood problems is entirely consistent with this evidence. The multiply deprived experience problems of vandalism or crime on a scale that reflects societal problems rather than any specific difficulties with such

disadvantage. This, of course, does not preclude the existence of 'black spots' characterised by multiple disadvantage in relation to income and lifestyle and chronic neighbourhood problems relating to crime and vandalism, but it does imply that only a rather small minority of those exposed to disadvantage will be found in these areas.⁸

The issue of social integration or social isolation, as Gallie and Paugam (2002) note, is at the heart of the concern with social exclusion. It raises issues of the extent to which marginalisation is accompanied by the breakdown of networks, thereby reinforcing the rupture with mainstream norms and values.⁹ Such isolation has come about through financial pressures or loss of self-confidence, through stigmatisation or through rejection of mainstream values. What evidence is there that those exposed to income poverty over a period of time or to multiple disadvantage at a point in time become detached from social networks and perceive themselves to be excluded from society? The analysis has shown that a clear, although somewhat variable, relationship exists for most countries between position on the income/lifestyle deprivation continuum and social contact/exclusion. However, even among those exposed to both types of deprivation, in most countries the vast majority were not found below the social support and social exclusion thresholds. It is clear, therefore, that social support cannot be read off income or deprivation in any simple way; however, access to such support can be crucial to individuals' psychological and material well-being and therefore deserve attention in their own right.

The discussion adopting an incidence perspective aims to show that multiple, but modest association does not translate into multiple overlapping disadvantages. Thus, although it is beyond the scope of this report to provide a comprehensive analysis of the determinants of each dimension, it is clear that rather different sorts of factors are involved in each case. Many who experience low income do not lack social contact. Many who report lifestyle deprivation do not live in problem neighbourhoods. As a consequence, accounts of multiple disadvantage based on the assumption of high levels of correlation between different types of deprivation will inevitably be seriously misleading. Where correlations between types of deprivation are modest, the numbers exposed to multiple deprivation are inevitably a great deal less than those affected by any particular deprivation. It is clear, however, that those minorities exposed to multiple deprivation experience extremely high levels of economic strain and feelings of social exclusion.

⁸ Gallie and Paugam (2002), in an analysis of 16 countries based on Eurobarometer data collected in 2001, also find a relatively weak relationship between income level and an index which includes reports of 'run-down housing where I live' and 'drug-addiction problems where I live'.

⁹ Similarly in Wilson's (1987) elaboration of the 'underclass' concept, what is crucial is a combination of weak labour force attachment and social isolation.

Much of the analysis in this report has been influenced by the results of earlier research into similar issues for the EU 15, making use of the ECHP. In addition to making comparisons between the EU and the acceding and candidate countries, the aim was also to assess the extent to which underlying processes connecting income, deprivation and strain are different or similar across countries. While it was not possible to conduct a joint analysis encompassing both the ACC 13 and EU 15 countries, it may be helpful if, using the current analysis and knowledge of previous work on the EU 15, an overview of differences and similarities was given.

In terms of levels, there are predictable differences between the two groups of countries. As a consequence, enlargement presents formidable challenges in terms of Community-wide social cohesion objectives. Levels of income are substantially lower in the acceding and candidate countries and levels of deprivation and subjective economic strain are considerably higher. The analysis has shown that, while a range of socio-demographic variables enables better predicting of income and deprivation, cross-national differences within socio-economic categories were much greater than the corresponding within-country variation. This conclusion would be considerably strengthened if the analysis could incorporate all 28 countries. Thus, in terms of the terminology used in the Introduction, differences that require a response in terms of EU-wide social cohesion strategies are of a considerably grander scale than those that could be tackled by responses to within-country patterns of social exclusion.

In terms of *levels of disadvantage*, there is an impressively wide range of national diversity. In terms of *underlying processes*, however, what is obvious is the degree of uniformity. One example of the latter is that in both cases traditional stratification variables, such as social class, education and labour market position, are found to be important predictors of position in the income hierarchy, although their impact is somewhat stronger in the case of acceding and candidate countries. Similarly, lifestyle deprivation for both groups of countries varies sharply by income level, social class and unemployment experience. Furthermore, in both cases, income level and extent of deprivation are sufficiently independent to make it necessary that both types of disadvantage are taken into account. This is illustrated by the crucial part that both variables play in explaining respondents' subjective responses to their economic situation and, in particular, their sense of the household having great difficulty in getting by or 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 relative income position, taken in isolation, may be a somewhat better predictor of command over resources in the latter countries than in the former. This, however, is a conclusion that requires confirmation by further research. Overall, the systematic difference in levels of deprivation and subjective economic strain within and between the EU 15 and the ACC 13 co-exist with striking similarities across countries and between the two groups of countries in the underlying processes contributing to deprivation and strain.

This combination of difference and uniformity is also evident when focusing on *levels and determinants of deprivation*. While exposure to such deprivation is substantially higher in the

ACC 13 than in the EU 15, the hypothesis that such differences in overall scale are associated with rather different underlying processes is not supported. The analysis largely fails to support 'underclass'-type arguments that focus on overlapping forms of disadvantage, accompanied by spatial concentration and isolation from mainstream values. This was illustrated by the relatively weak relationship between multiple disadvantage, defined in terms of low income and exposure to high levels of deprivation, and experience of problems relating to vandalism or crime. 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.

As might be expected, although there is some overlap between acceding and candidate countries and the EU, *levels of disadvantage and economic strain* are distinctively higher in the former. However, the findings suggest that there is considerable similarity between these groups of countries in the underlying processes generating such inequalities and subjective responses to them. In both cases, it is necessary to take the issue of multi-dimensionality of disadvantage seriously and to establish, rather than assume, the scale of multiple deprivation. Analysis involving the ECHP has shown the importance of taking experience over the life-course, and exposure to persistent poverty and deprivation, into account in understanding such phenomena. This will undoubtedly also prove to be the case in the acceding and candidate countries. In the meantime, it should be acknowledged that rather distinct processes may underlie different dimensions of disadvantage and the aim should be to develop an understanding of such processes as a contribution to the development of evidence-based policy responses.

The implication is that policy cannot be targeted at a limited set of problem groups or focus solely on particular processes, but rather it must acknowledge a diversity of causal mechanisms. This conclusion was shown to be consistent with the continued and wide-ranging impact of traditional factors of stratification, such as labour market status and experience, social class and education. However, while such factors have a general influence, this is far from implying that the same or even substantially overlapping groups are identified for each of the dimensions of deprivation. Factors such as labour market status interact with others such as life-cycle and urban – rural location in a manner that produces a great deal more diversity than proponents of multiple disadvantage-type arguments allow for.

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This report takes a wide-angled view of quality of life in 28 European countries, including the acceding and candidate countries as well as the current Member States of the EU. It focuses on the topic of low income and standard of living deprivation, presenting a unique analysis of the views and experiences of the citizens of the new Europe. It covers aspects such as economic strain, income and lifestyle deprivation, multiple disadvantage and feelings of social exclusion. The analysis is based on data from the European Commission's Eurobarometer surveys and forms part of a series of reports from the Foundation relating to aspects of quality of life in an enlarging Europe.

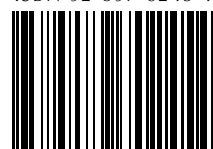
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