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Persistent or short-term experience? – Poverty dynamics in Switzerland

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Theory

- Measure poverty as dynamic phenomenon because short, long, or recurring episodes (Smith et al. 2007), c.f. also «temporalised» poverty Vaalavuo M. 2015) are not experienced in the same way, affect certain groups of people more frequently and require different countermeasures (c.f. Finnie and Sweetman 2003).
- More people are affected by poverty if measured longitudinally rather than cross-sectional. A larger share of the population experiences short poverty episodes (Oxley, Dang, und Antolín 2000).
- Amongst other risks also «occurrence dependence» (c.f. Finnie and Sweetman 2003). Past poverty episodes lead to a heightend risks of renewed or persistent poverty episodes.

Research question

1. What are the dynamics of asset-based and income poverty out to non-poverty as well as backflows into poverty?

Hypothesis: It should be easier to escape income poverty than asset-based poverty.

Data and Methods

- Measuring longitudinal poverty using linked tax data

- Many studies focus on income poverty due to a lack of reliable data on assets.
 - But financial reserves serve to bridge periods of insufficient income.
 - And the welfare system in Switzerland as well as many other countries is designed in a way that wealth needs to be depleted below a certain threshold before a valid claim to social benefits can be made.
- Data:
 - Linked fiscal and administrative data for the years 2012 to 2015 for the canton of Bern (Large political district ~1mio inhabitants, representative of CH average in terms of demography and economic activity).
 - Further linked to population register to be able to assess household resources and to extensive social benefits register.
 - Data collected as part of the research project <http://inequalities.ch/>. Details on the data preparation can be found in our working paper Hümbelin et al. 2021.

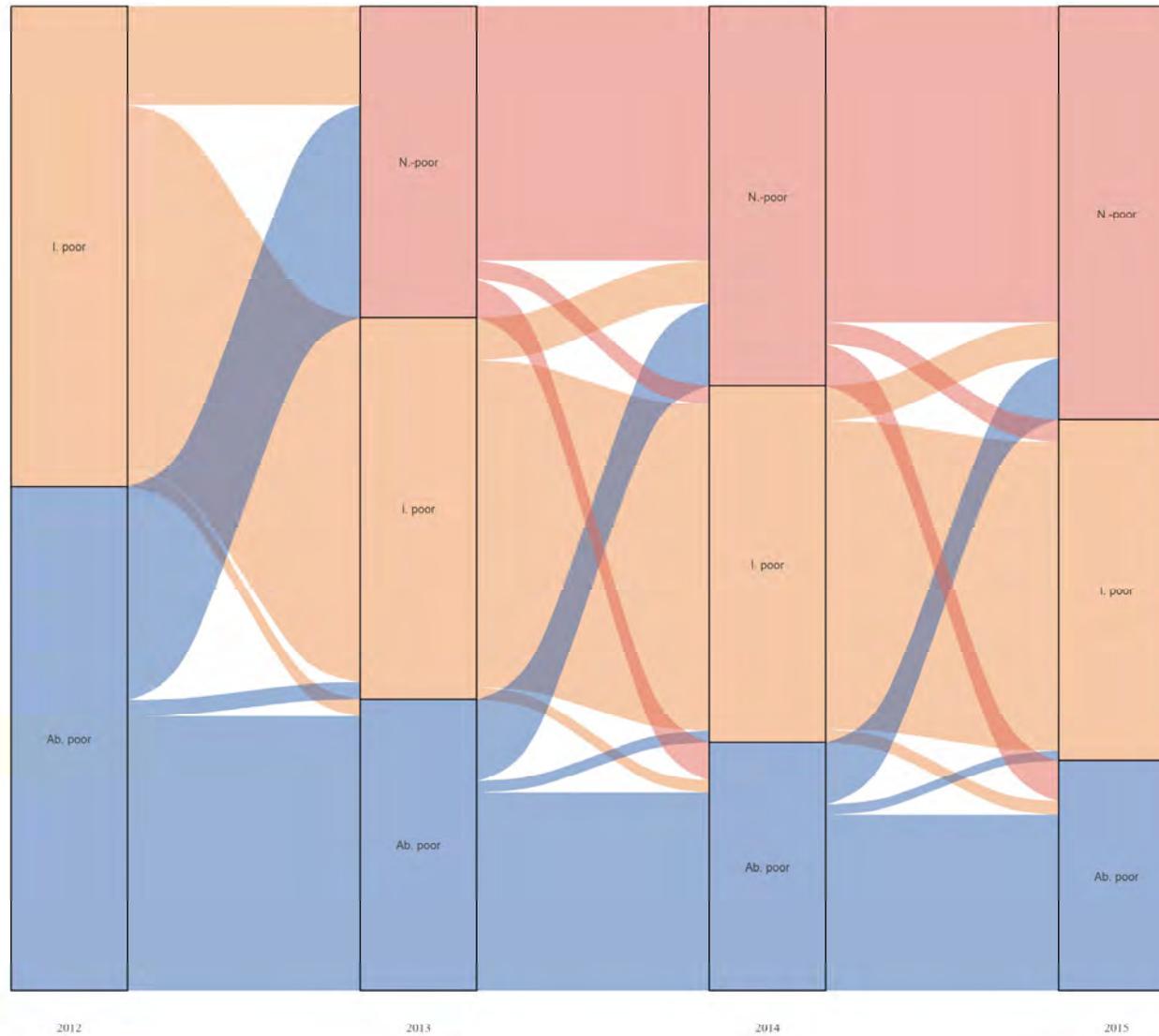
Data and Methods

- Measuring longitudinal poverty using linked tax data

- A first indicator measures income poverty. A household is poor when its expenses for the minimum needs as set by national standards (see BKSE 2020; Schweizerische Konferenz für Sozialhilfe 2015) outweigh its total income including social transfers from insurances or other benefits.
- We build a second indicator following an asset-based poverty measurement approach (Brandolini, Magri, and Smeeding 2010; UN 2017). According to this indicator a household is counted as poor if it does not have sufficient income to finance expenses and does not have enough reserves to cover the gap for 12 months. By definition asset-based poor are always income poor.
- We assess poverty at the household level. However, the unit of analysis is the individual. Starting with 910'373 observations, 784'601 observations remain in the sample after restricting to persons that can be observed over the whole 4-year period. And 73'231 observations remain after restricting to persons that are either poor according to the income or asset-based approach starting in 2012.

-> Display and study flows visually through alluvial charts.

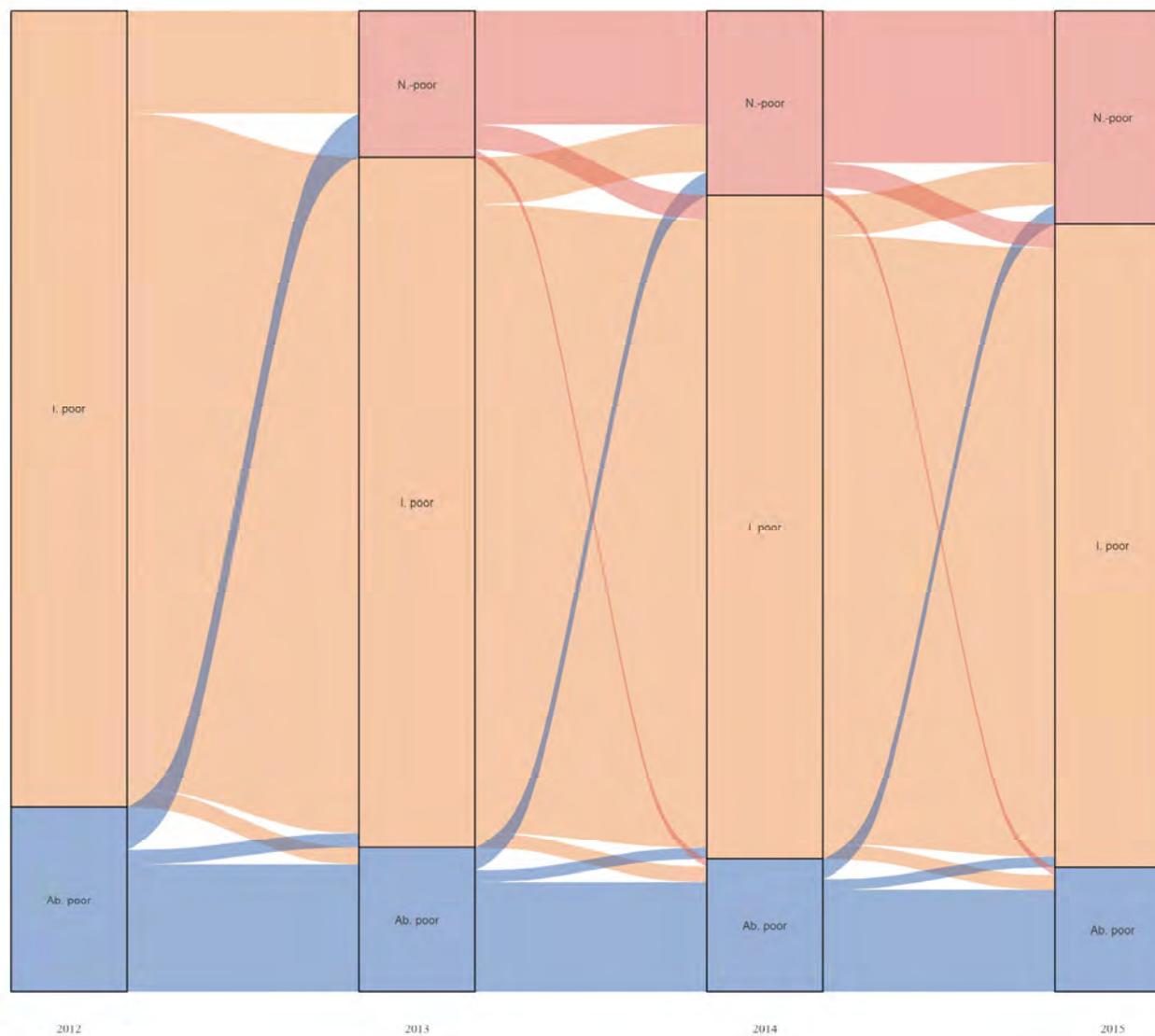
Overall population



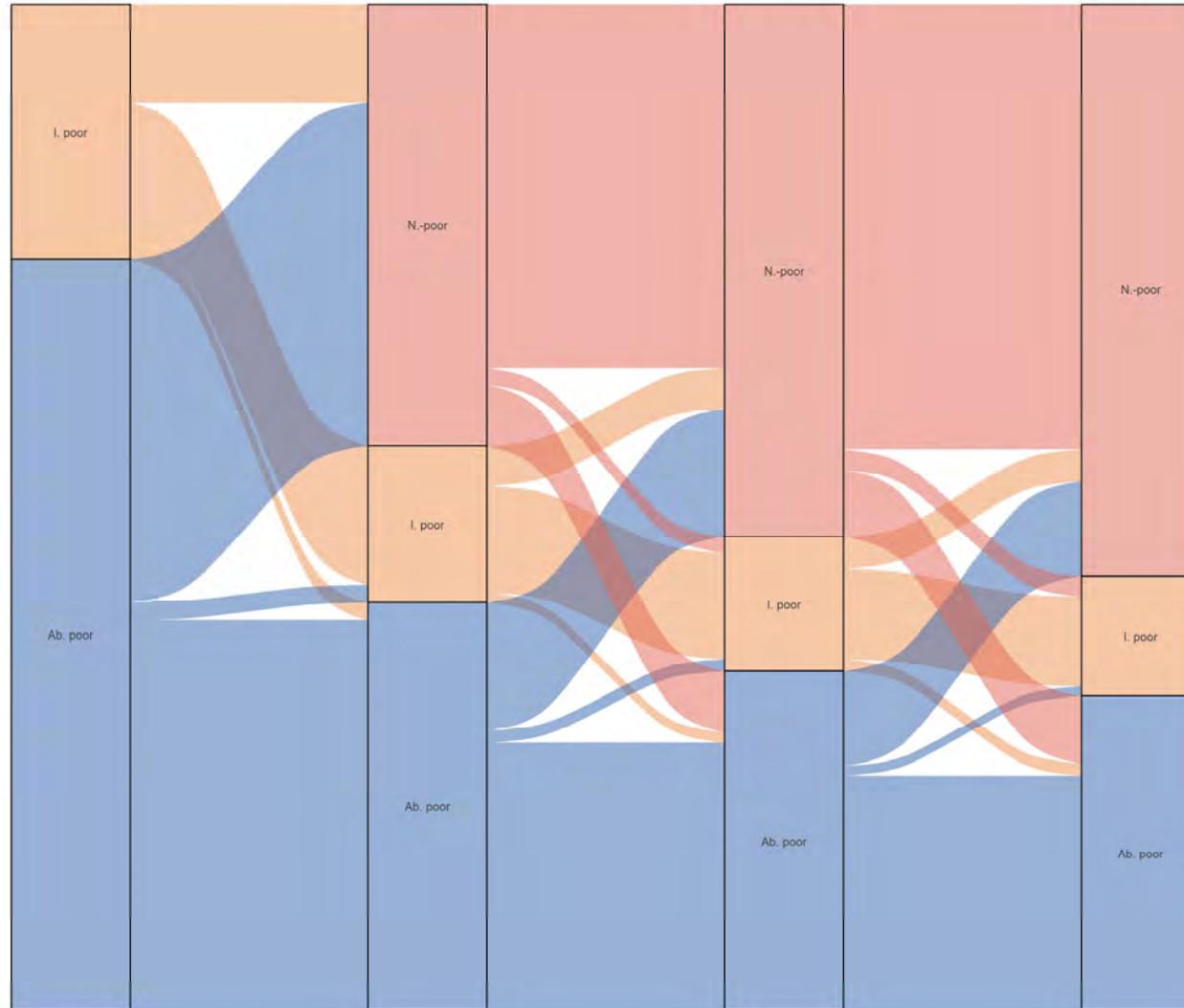
Indicators:

- Non-poor
- Income poor
- Asset-based poor

Elderly (age > 65)



Work.-age p. & child. (age 0 - 65)



Indicators:
■ Non-poor
■ Income poor
■ Asset-based poor

2012

2013

2014

2015

Discussion

- We conclude that poverty is a rather persistent phenomenon. Only a minority of the overall poor population manages to escape poverty in the 4-year period.
 - This is in contrast with official statistics based on survey data (SILC) (c.f. FSO 2018).
- Dynamics differ if we look at the elderly or at the working-age population and children:
 - Elderly poor population: Many are exclusively income poor and only few are asset-based poor from the get-go, the dynamic out of poverty is comparatively weak and most remain in their initial poverty state over the 4-year period.
 - Working-age population and underage poor: Most are asset-based poor and only few are exclusively income poor from the get-go. But most manage to escape poverty over the 4-year period, despite backflows into poverty.

Discussion

- We find an important flow from these asset-based poor directly out to the non-poor, that is bigger than the respective flow from the income poor, and which seems primarily driven by the working-age population and children:
 - Overall asset-based poverty seems to be the more dynamic state, with many exits to or backflows from non-poverty over the 4-year period.
 - Income poverty seems to be more static, with exits to non-poverty rapidly decreasing following the 1st year.

Outlook

Further research questions:

1. How do labour market participation, asset consumption and the social benefit system shape the dynamics from asset-based and income poverty out to non-poverty as well as backflows into poverty?
2. How do demographic characteristics of the 2012 poor cohort drive the dynamics from asset-based and income poverty out to non-poverty as well as backflows into poverty?

Moving further we will use panel-data analysis over the 4-year period to answer the above.

Thank you for your attention!

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