

Social monitoring and the pandemic: 5 key points

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15th Conference “Social Monitoring and Reporting in Europe”
Increasing Divergence and Changing Social Trends in Europe?
Longer-term Developments and Consequences of the Pandemic

9 March 2021, virtual Villa Vigoni conference

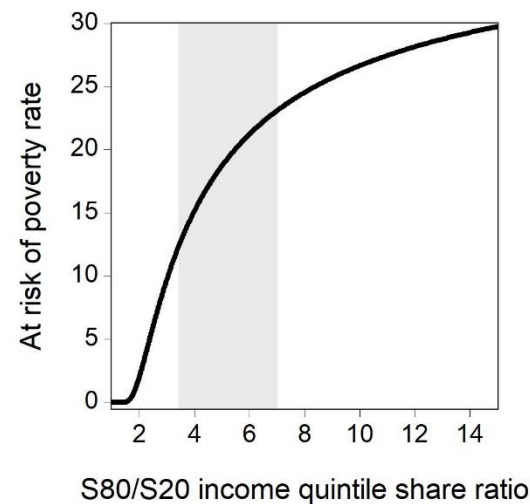
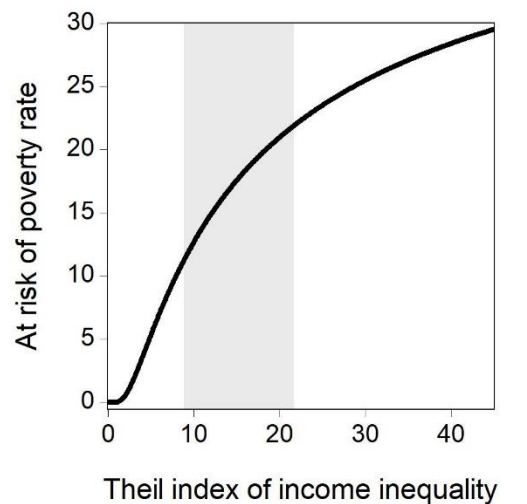
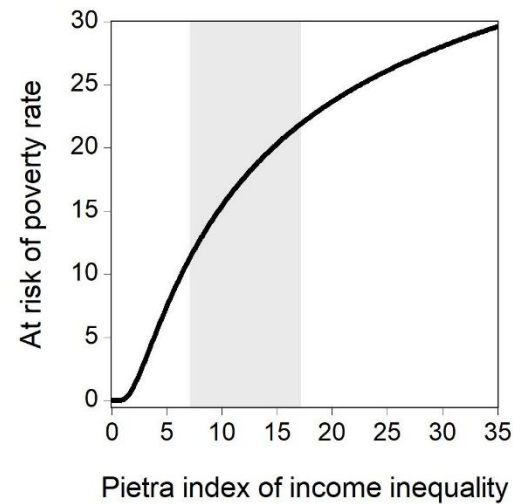
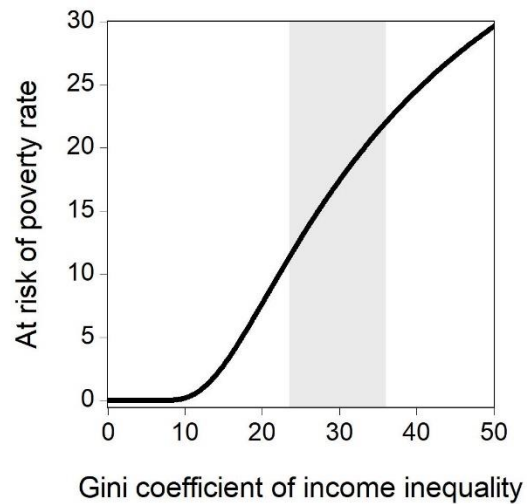
Outline: the 5 key points

1. Problems with poverty measurement in the EU
2. The importance of monitoring wealth
3. Gender wealth gaps are large
4. Importance of analysing the EU-wide distribution
5. Reversal of European income inequality decline due to the pandemic

1. Problems with poverty measurement in the EU

- New 2030 'poverty' target set last week: *"a reduction of at least 15 million in the number of people at risk of poverty or social exclusion"*
- Similar to previous failed targets:
 - Lisbon strategy, 2000-2010: *"to make a decisive impact on the eradication of poverty"*
 - Europe 2020 strategy, 2008-2020: *"lifting over 20 million people out of poverty"*
- People at risk of poverty or social exclusion (AROPE) – 3 components:
 - 'At risk of poverty': people with a disposable income below 60 percent of the national median equivalised disposable income ← this indicator does not measure poverty
 - 'Severely materially deprived'
 - 'Living in a household with a very low work intensity'

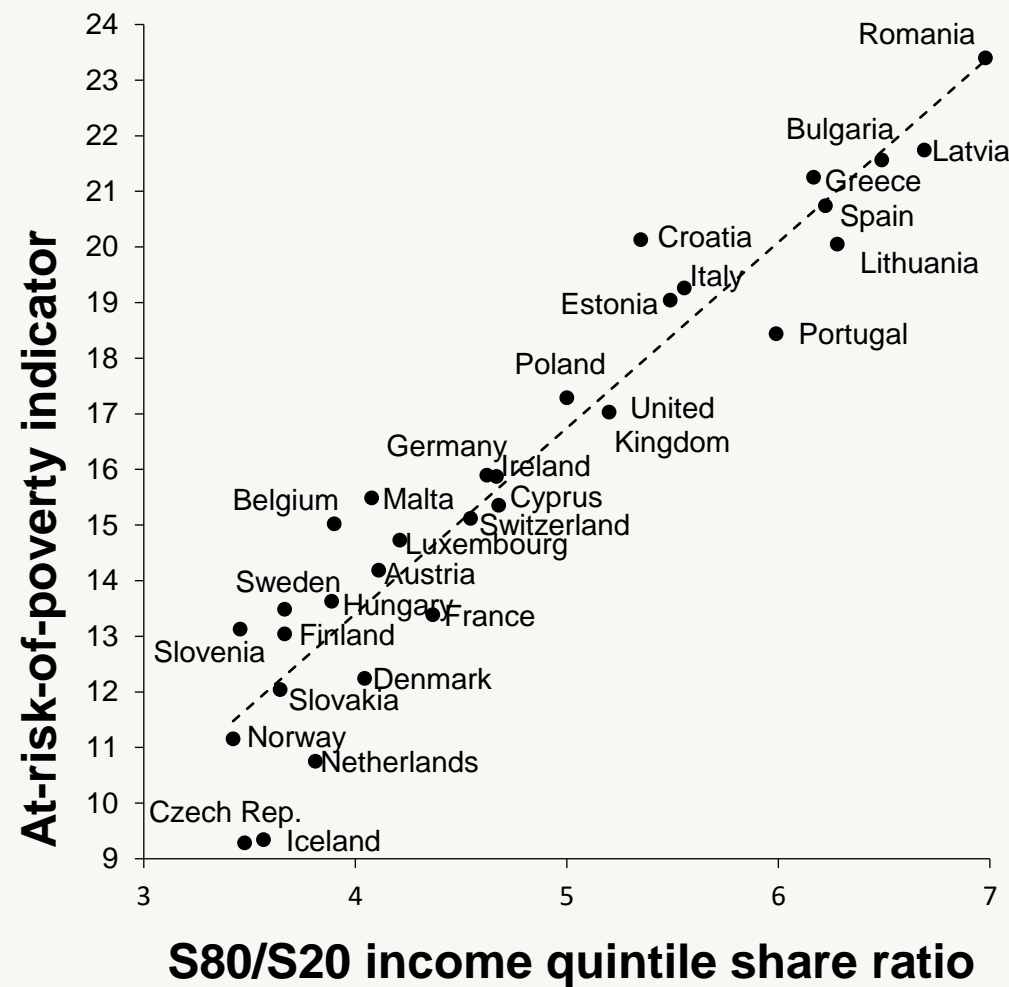
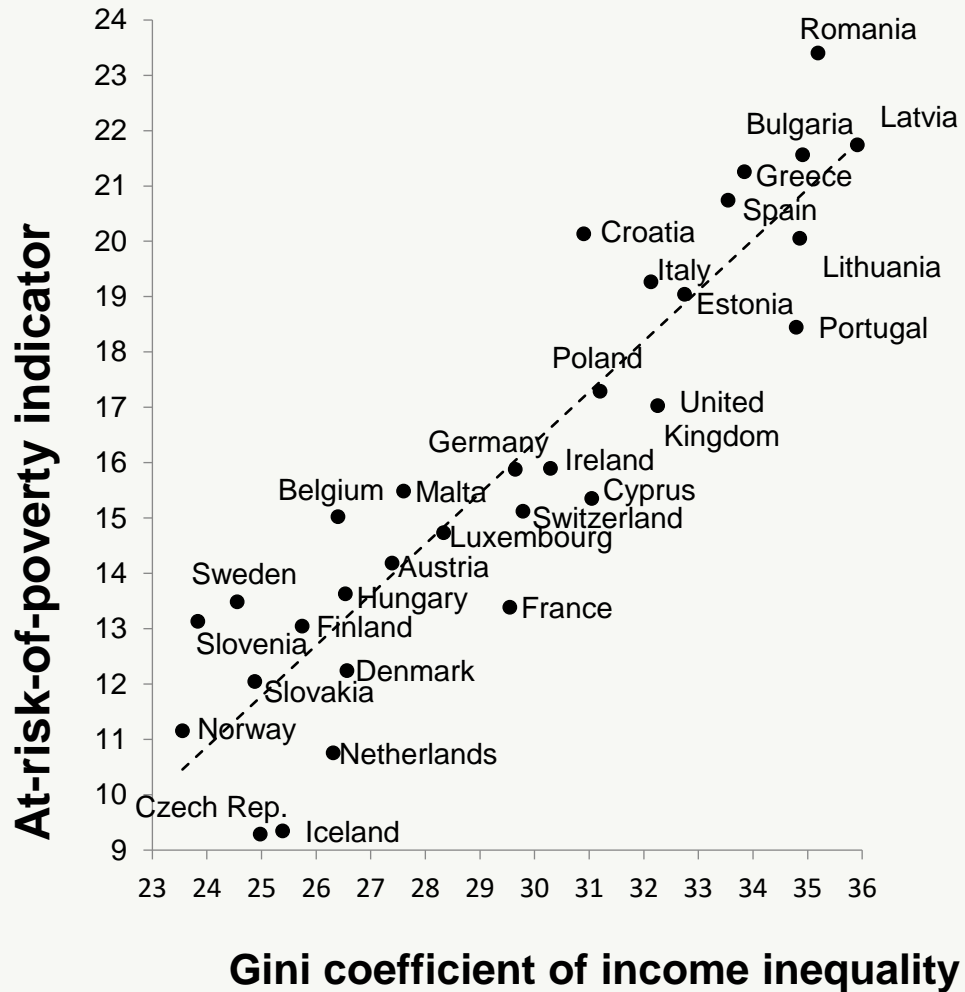
The theoretical association between four alternative measures of income inequality and the 'at risk of poverty' rate when income distribution is log-normal



- The shaded area indicates the range in which data of EU countries fall

Darvas, Zsolt (2019), 'Why is it So Hard to Reach the EU's Poverty Target?', Social Indicators Research 141(3), 1081–1105, <http://rdcu.be/IJvY>

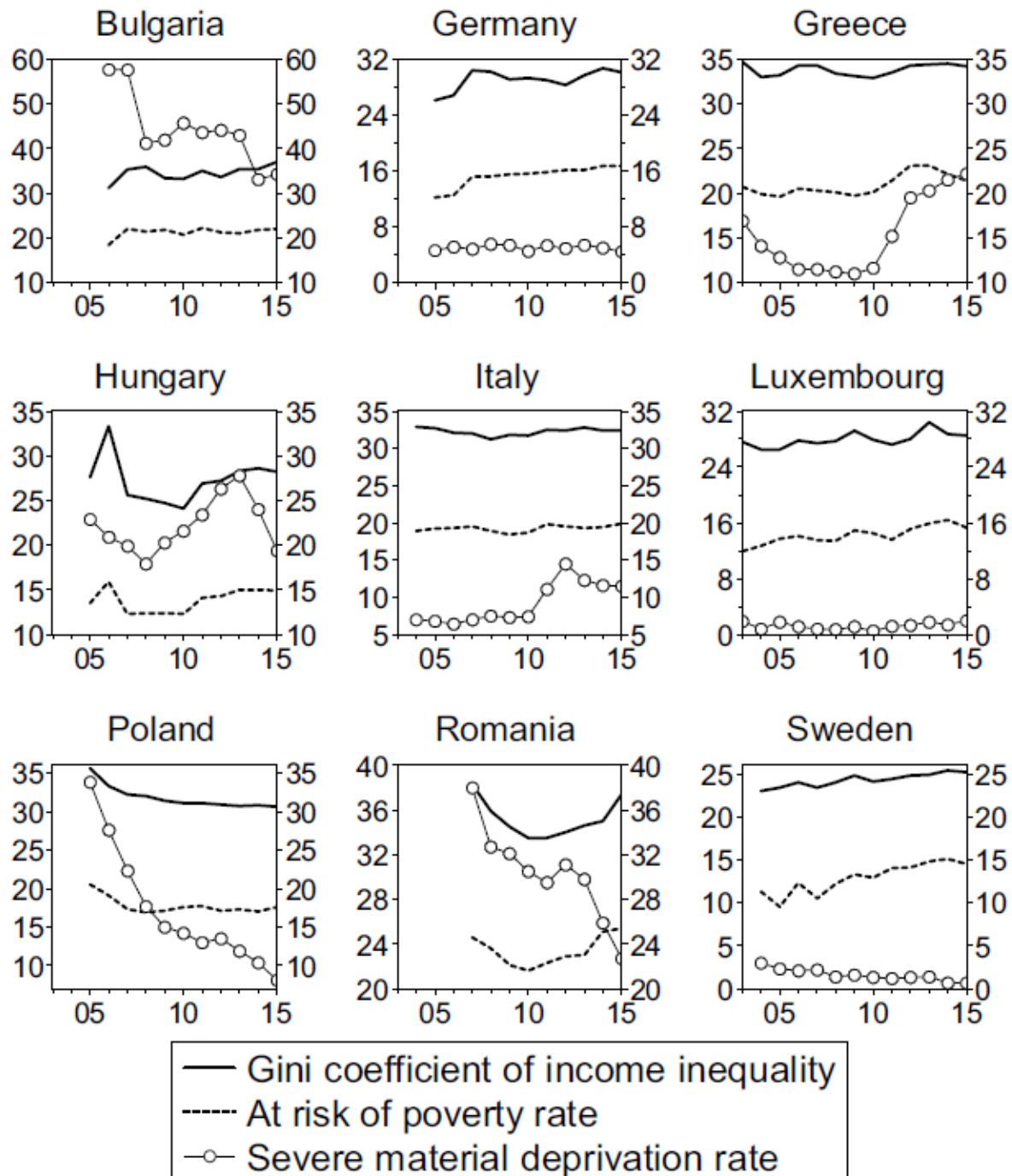
The empirical association between two alternative measures of income inequality and the 'at risk of poverty' rate



See: Darvas (2019)
<http://rdcu.be/lJvY>

Time series evidence by country

- Income inequality Gini & at risk of poverty move in parallel
- Deprivation (=poverty) has rather different level and dynamics



See: Darvas (2019)
<http://rdcu.be/IJvY>

1. Problems with poverty measurement in the EU, *cont'd*

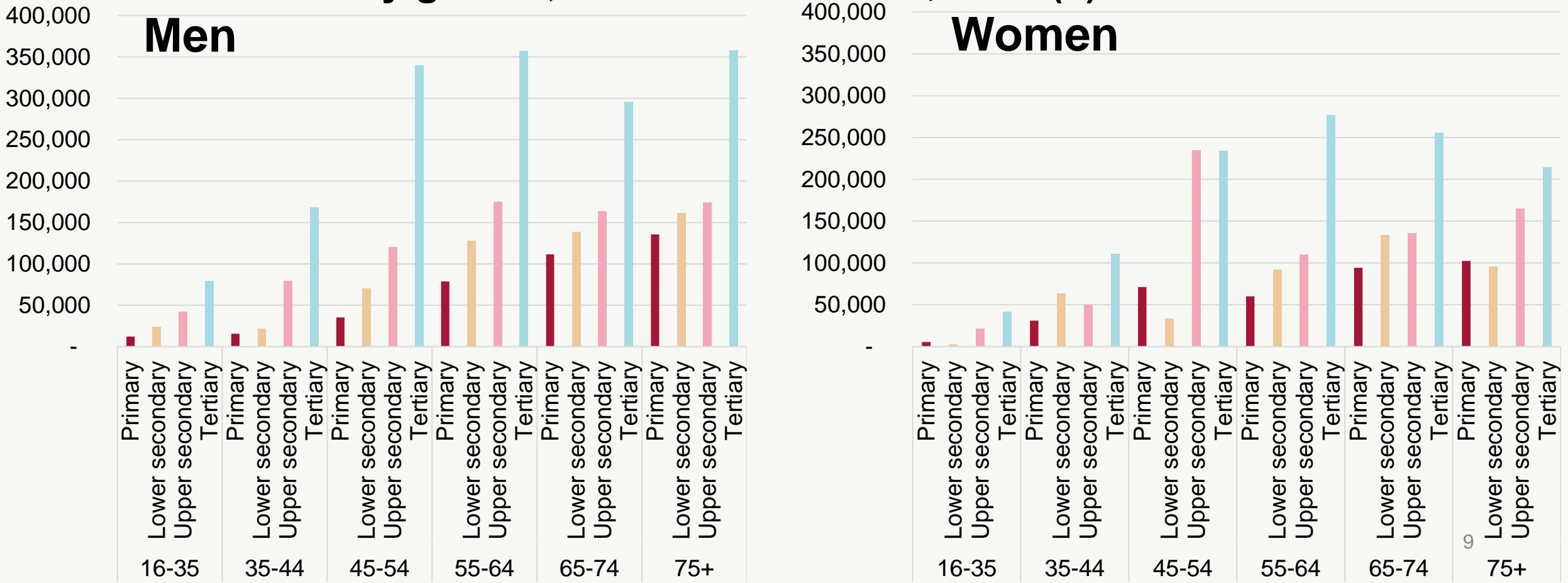
- Bottom line:
 - Material deprivation: useful indicator of poverty (Wiemer Salverda showed it declined significantly in central/eastern Europe, was not very high in western/northern Europe → limited scope for further declines)
 - Low work intensity: useful indicator of unemployment (cyclical indicator)
 - At risk of poverty: don't expect decline unless income inequality falls

2. The importance of monitoring wealth

- Forthcoming Eurofound report "Wealth inequality and social mobility", authored by Catarina Midões and myself
- Scarce wealth data
- Some findings:
 - Income and wealth distributions differ
 - High wealth persistence
 - Importance of parental education, parental wealth and housing conditions during a person's upbringing for intergenerational mobility
 - The average advance in wealth due to inheritance is greater than the advance associated with having a university degree compared with only a primary school education
- A suggestion: The introduction of a compulsory wealth declaration would help to clamp down on both hidden wealth and hidden income, facilitate the monitoring of wealth distribution, foster more conscious financial decisions and lead to better quality research on wealth

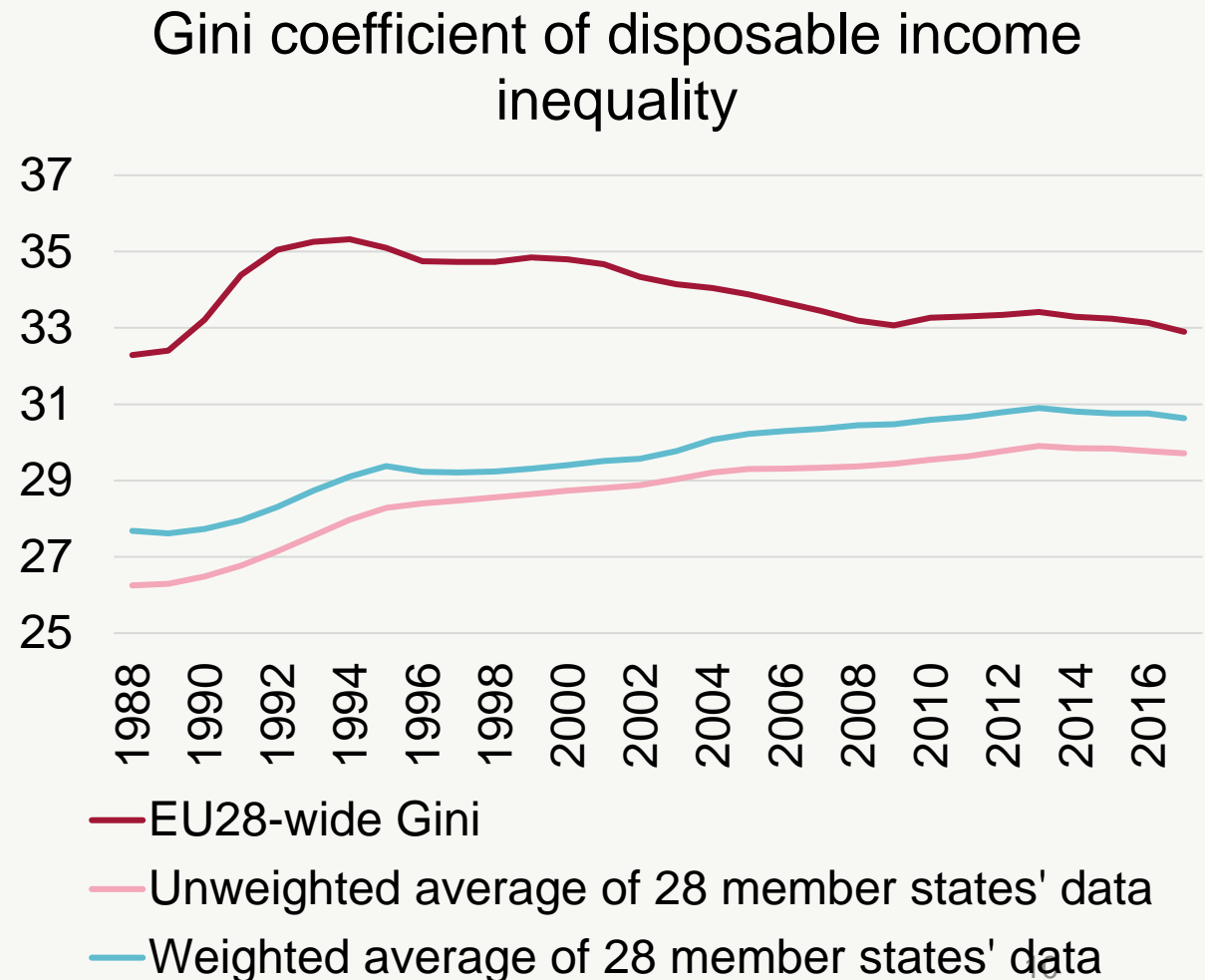
3. Gender wealth gaps are large

Average net wealth across age and education groups for single-person households by gender, 21 HFCS countries, 2017 (€)



4. Importance of analysing the EU-wide distribution

- Current EU-wide indicators by Eurostat are weighted average of country data
- Such calculations do not correspond to the EU-wide distribution of the indicator considered
- USA: US data published by the Census Bureau is not a weighted average of state-level data, but derived from the US-wide distribution

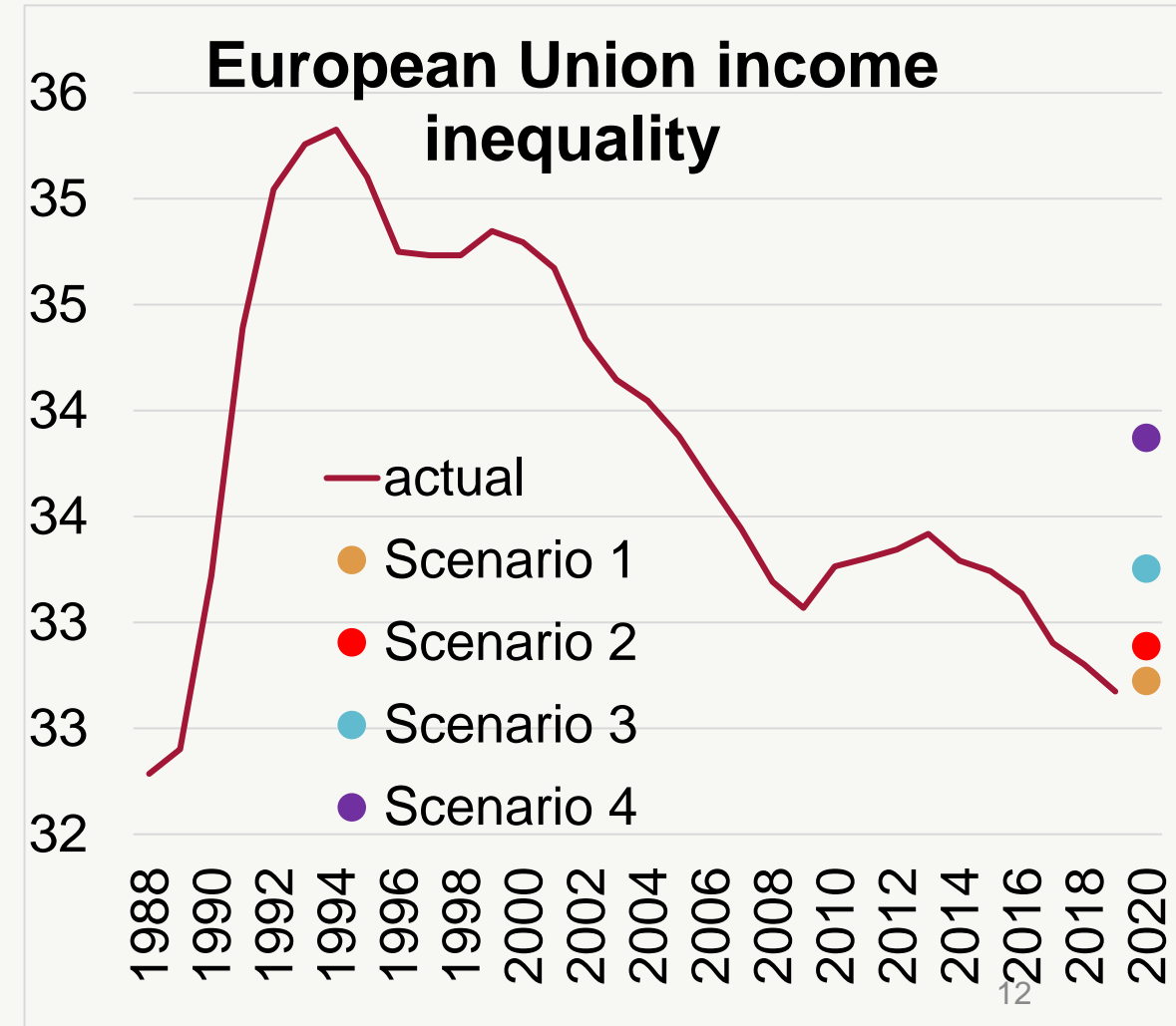


5. Reversal of European income inequality decline due to the pandemic

- GDP contractions are typically associated with within-country income inequality increases
- 2020: the difference between highly-educated and low-educated job losses is correlated with the economic shock
- Factors suggesting harsher income inequality increase in 2020:
 - adverse feedback via health
 - differences in the ability to telework by different segments of the society
 - differentiated sectoral impacts
- Upcoming paper: I set up scenarios based on historical patterns of recessions and within-country income inequality and find a possibly large increase in EU income inequality in 2020

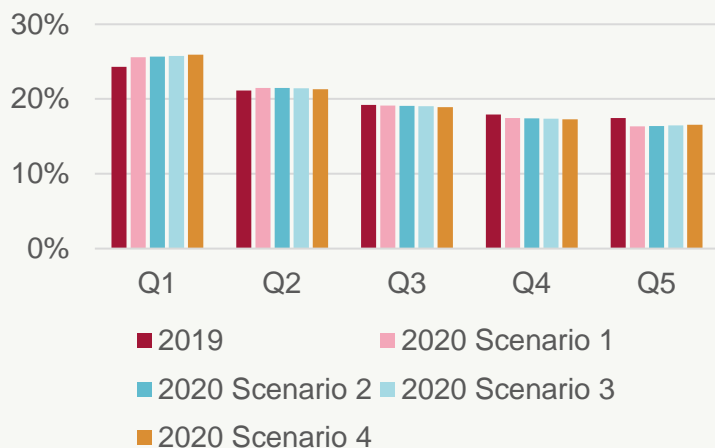
5. Reversal of European income inequality decline due to the pandemic

- Scenario 1: No change in national inequality
- Scenario 2: National inequality changes according to average historical association
- Scenario 3: National inequality changes according to upper end of the 75% percent interval of the historical association
- Scenario 4: National inequality changes according to upper end of the 95% percent interval of the historical association

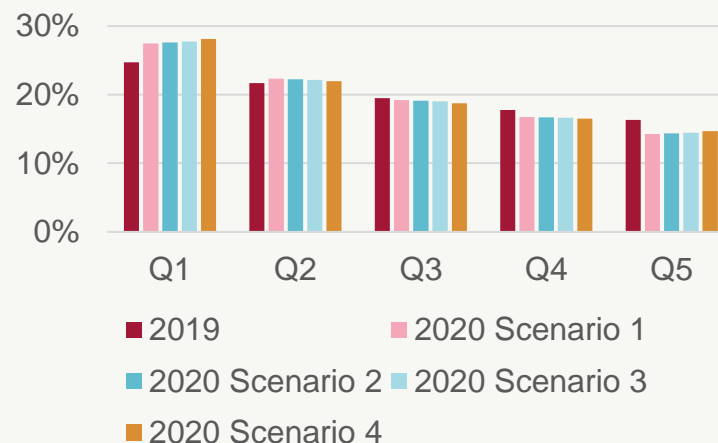


Population share in the quintiles of the EU28 disposable income distribution, selected countries, 2019-2020

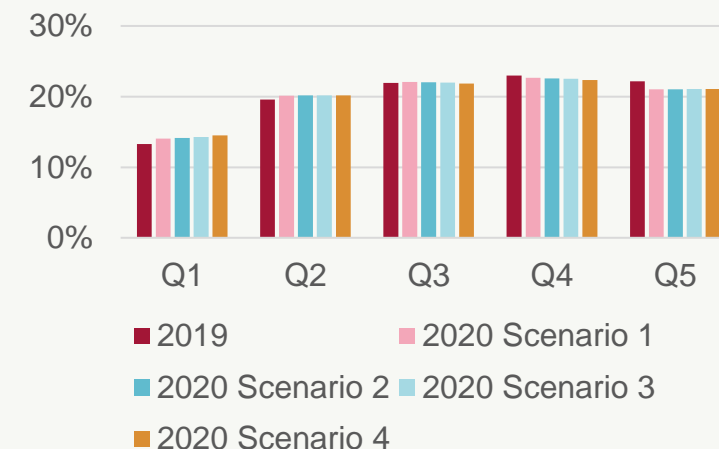
Italy



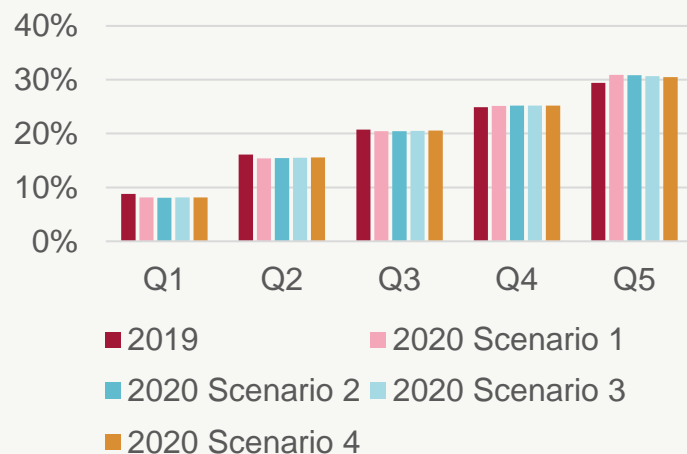
Spain



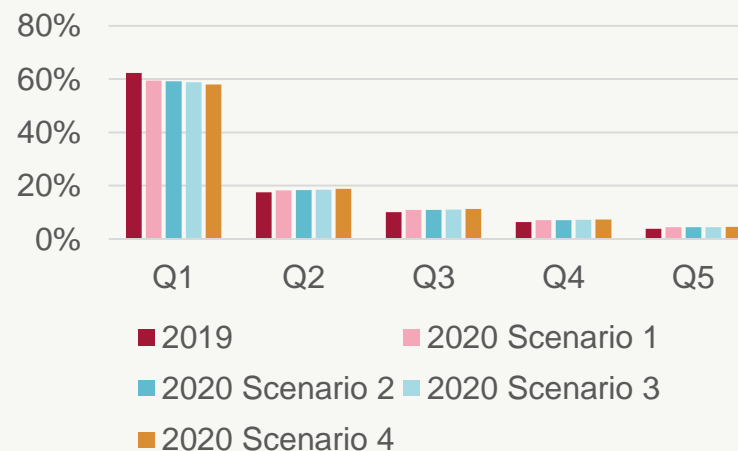
France



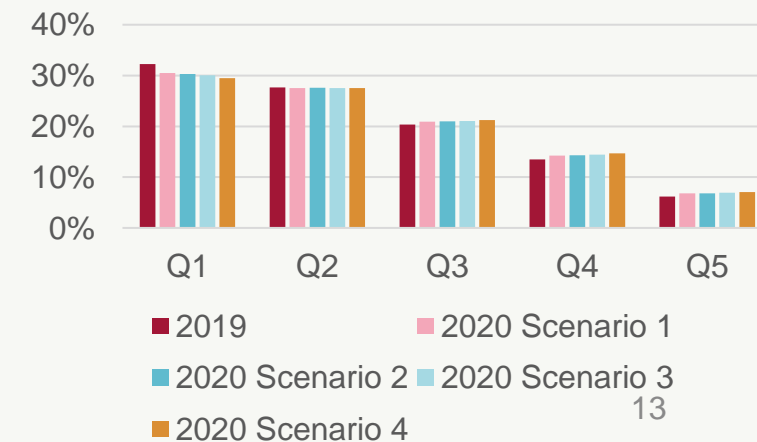
Germany



Bulgaria



Hungary



Thank you for your attention!

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