

Unemployment and its poverty consequences. Poverty trajectories after job loss in different European welfare regimes: a latent class analysis.

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Abstract

This paper complements existing poverty dynamics research by examining typical income poverty trajectories during the first five years after experiencing job loss. Unemployment is a known poverty trigger, but there is relatively little knowledge of its mid-term effects on a household's level of living. By broadening the time frame of research into poverty transitions, a more complete picture can be drawn of the poverty patterns related to job loss. Latent class analyses of the European Community Household Panel show that the poverty risk after job loss is not equally large and long-lasting for everyone. Across Germany, Spain, Denmark and the United Kingdom broadly four comparable latent classes can be found: persistent non-poor, persons with a transient poverty risk, persons with longer-term poverty risk and late poverty entrants. The latter group provides interesting new insights in the country differences of poverty patterns after unemployment. We see that people who remained unemployed for five years as well as people who experienced a second job loss after labour market re-entry both had a higher late poverty entry risk. On the one hand, the late poverty risk is thus a matter of fast re-employment and new job loss. On the other hand, also people in continuous unemployment face a late poverty entry risk, in countries where they were initially well protected by more generous income replacement schemes. The size of the latent classes, as well as the types of people affected by them, differs between countries according to welfare regime. The paper discusses country differences, demographic and social stratification determinants, as well as further life events which are linked to the specific poverty trajectories.

Key words:

Poverty dynamics – unemployment – welfare regimes – latent class analysis

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