Iryna Kyzyma
Bremen International Graduate School of Social Sciences (Germany)
and CEPS/INSTEAD (Luxembourg)
E-mail: ikyzyma@bigsss-bremen.de , Iryna.Kyzyma@ceps.lu
Tel.: +352-621-675-393

CHANGES IN THE PATTERNS OF POVERTY DURATION IN GERMANY: RELIEVE OF POVERTY OR NEW POVERTY TRAPS?*

Abstract
submitted for the 10th International German Socio-Economic Panel User Conference

Despite the introduction of major social policy reforms, since the mid-1980s Germany has been experiencing a steady increase in poverty rates among general population. It gave a boost to a great number of studies trying to explain why it happened. By applying decomposition techniques they have been exploring what kind of changes in household structures and labor market conditions of households could have potentially contributed to the dramatic increase in poverty rates over the recent two decades. At the same time, the literature available in the field does not shed light on how poverty duration has been evolving over time as well as what kind of forces might be responsible for it.

Hence, this paper aims at exploring and explaining changes in the patterns of poverty duration in Germany over 1992-2010. To be more precise, the following set of questions will be addressed: (1) How the distribution of time spent by individuals in poverty evolved over 1992-2010? (2) Have the probabilities to exit (re-entry) poverty for spells with different durations changed over the period of interest and, if yes, how? (3) Do different subgroups of population experience different shifts in poverty duration? Which socio-economic and demographic characteristic of individuals and their households became more important determinants of poverty exits (re-entries) and which ones lost their significance with time? (5) What kind of social and economic policies introduced in 1992-2010 can be potentially responsible for the observed changes in the patterns of poverty duration?

The primary method used for the empirical part of the paper is discrete-time survival analysis based on the joint modeling of poverty entries and exits, controlling for unobserved heterogeneity and initial conditions problem. In order to capture changes in poverty duration over time and explore potential contribution of different forces to these changes a five-year moving window is created and used for the analysis. It permits to investigate when exactly a change occurred and what forces might be potentially responsible for it. In addition, we use microsimulation techniques in order to predict the total distribution of time spent in poverty over multiple spells for different sub-groups of the population. The data used for the analysis is derived from the German Socio-Economic Panel. To be more precise, the waves covering 1991-2010 are used with the purpose to incorporate information on both Western and Eastern parts of Germany into analysis.

Keywords: changes in poverty duration, dynamics of spells, hazard-rate modeling, microsimulation.