Deprivation and Social Exclusion in Switzerland: An Analysis of the Swiss Household Panel

Extended Abstract

Switzerland has undergone dramatic changes in recent years, from the slump of the early nineties, to the most recent recovery at the beginning of this decade. If the country keeps enjoying high levels of welfare, those events have affected the well-being of some parts of the population, raising concern on welfare and deprivation issues in the public debates. Nonetheless, empirical research remains still scarce.

The present paper aims to fill in part this gap and characterize multiple deprivation and social exclusion in Switzerland, both cross-sectionally and longitudinally, using data from the first six waves (1999-2004) of the Swiss Household Panel. This dataset is based on an original sample of almost 13,000 individuals aged 15 and over, and contains information on income and other socio-economic characteristics, health, social relations as well as subjective evaluations on living standards.

Deprivation and social exclusion are clearly related concepts. Although there is still no consensus on a working definition of social exclusion, many agree that if deprivation can be seen as a state of failure due to a lack of resources at one point in time (static perspective), social exclusion is the dynamic process of deprivation, in other words, it is the cumulative and persistent deprivation over time, that is likely to affect living patterns and participation of individuals in the society. Along these lines, we follow the methodology proposed by Bossert, D'Ambrosio and Peragine (2004), and use the cross-sectional and longitudinal samples of the SHP to build on measures of deprivation and social exclusion, respectively.

The first part is descriptive and focuses on the construction of deprivation and social exclusion indices. These are created following the prevalence weighting procedure, introduced by Desai and Shah (1988), and are based on a set of items that cluster in different dimensions. Deprivation and social exclusion scores are calculated, both on the individual and aggregate level, and groups with high levels of social exclusion and deprivation are identified using socio-demographic and occupational criteria. Further, we test the consistency of our multidimensional results with conventional measures of income (economic) poverty, to see if a mismatch exists between poverty measured indirectly in terms of relative income and poverty measured directly in terms of observed deprivation, as demonstrated in many recent papers. (Muffels, 1993, Nolan and Whelan, 1996, Halleröd, 1996, Whelan et al., 2001, 2003).

In the second part, we use the Heckman selection model to identify some of the determinants of income poverty, deprivation and social exclusion, and try to understand if a link exists between their risk factors. As the dependent variable contains many zeros, the Heckman selection equation seems to be more appropriate, as it determines the probability of experiencing levels of deprivation higher than zero, which would allow us to further determine the coefficients of interest (Heckman, 1979). In the analysis, we control for disposable income and for other non-cash incomes, including past savings, housing ownership and different forms of state transfers. We also look at the impact of different socio-economic variables such as education or occupational status. To test for the consistency of our results, we highlight the different effects of some variables on the determinants of poverty depending on which poverty is considered, either unidimensional in terms of economic poverty, or multidimensional in terms of deprivation and exclusion.

The cross-sectional results show that globally, and optimistically, the proportion of people non-deprived has more than doubled in six years (from 15 to more than 30 percent). Most of the population (over 70 percent) scores zero - i.e. no deprivation - in the basic, durables and subjective dimensions, while the most disadvantaged are in the housing area, with 65 percent having at least some form of deprivation in this field. Housing is also the least correlated with income, in line with results obtained in previous studies. From the analysis of low income, we observe interestingly that in the lower tail of the income distribution the relationship between income and deprivation is non monotonic, indicating that the most deprived are not those with income below 40% of the median, but
those with income between 40 and 50 percent of the median. This result proves in itself that income alone could be insufficient to identify individuals who would be deprived or excluded from a minimum acceptable living standard, because of lack of resources.

From the analysis of social exclusion, we find that differences among dimensions are also significant. People appear more persistently deprived in the financial and housing dimensions, with some individuals suffering complete deprivation (score=100) in the financial and subjective areas. Globally, only 3 percent of people are highly and persistently deprived, with a total index above 60. Among the population, social exclusion is higher in lone-parent families, among children, and foreigners. The French-speaking cantons seem also more concerned with the phenomenon. Among the unemployed, the index, while still high, has decreased over the period.

This paper should contribute to the scarce literature on the measurement of multidimensional poverty in Switzerland from a dynamic perspective, and should be informative for correct social policy targeting. It should help us also to distinguish a possible sequence of multidimensional poverty. Do people fall into poverty sequentially in a similar fashion along the various dimensions, or do they become poor in no clearly distinguishing pattern? Such an issue should be addressed from an empirical point of view, as it may provide precious guidelines to policymakers concerned with poverty.

Main references:

- Bossert, W., D'Ambrosio C., and V. Peragine (2004), "Deprivation and Social Exclusion", Centre interuniversitaire de recherché en économie quantitative (CIREQ), Université de Montréal


- Whelan, C.T. et al. (2001), "Explaining levels of deprivation in the EU", *Acta Sociologica*, 44, 105-121