

DIW Applied Micro Seminar

Household income dynamics through the Great Recession in Europe

Philippe van Kerm

Abstract:

The objective of this paper is to study the household-level distribution of income growth in Europe during the Great Recession. Large-scale survey data on incomes during and after the GR years are only slowly becoming available, and fairly little is still known about the ways the recession has affected household incomes. Most of the evidence to date on the distributive impacts of the GR focuses on trends in total income and in aggregate inequality or poverty measures. This paper takes a complementary approach by looking at (the distribution of) household-level experiences directly. Crucially, we examine to the extent to which household income gains and losses have been greater for poor people than for rich people, i.e. the extent to which income growth/fall have been progressive or 'pro-poor'. We also examine factors accounting for the shape of the distribution of income growth by focusing on changes in household income portfolios, so as to disentangle labour market impacts from the effects of taxes and benefits.