

- (i) 'Contributed';
- (ii) How and why the dynamics of poverty differ across European countries;
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- (vi) text of the extended abstract:

Prolonged time in low income means economic hardship. Empirical evidence has shown that, while a majority of experiences of poverty are short-lived, a minority of the poor are living in long-term poverty through long poverty spells or nearly repeated poverty and non-poverty spells. This paper is an analysis of the extent and determinants of cross-country variation in time spent in poverty in Europe. Previous comparative research attributed all heterogeneity to differences in social-welfare policies targeted to low income population. However, multivariate analyses to date assumed common returns to explanatory variables and consequently ignored the sources of heterogeneity. I develop a decomposition method of the cross-countries differences in time spent in poverty. With estimates from exit and re-entry mixture hazard regression models that allow returns to characteristics to vary across countries, I predict the expected time spent in poverty for the poor of eleven European countries. The results suggest that cross-country variation is determined more by differences in returns to poverty-relevant characteristics than by the heterogeneity in population composition. Despite large differences in the proportion poor in a given year, the average length of time spent in poverty is similar across countries. Britain and Ireland are outliers with long average times spent in poverty. The employment status and educational qualification of household members affect time spent in poverty similarly in all countries. On the contrary, the impact of the presence and number of children, the age of the household head and individual unobserved heterogeneity is more differentiated, suggesting that family related policies and the generosity of pension schemes may help explaining the European difference in the dynamics of poverty.

Note: the research is based on a 50 pages a draft paper.

The paper for the IARIW conference would be a substantially rewritten version.

I plan to extend the analysis of the draft in a number of directions including:

- compare the results of separate country-specific hazard models discussed in the draft version with the ones from a model that pools all countries together and allows for a direct assessment of the statistical significance of cross-country differences in returns to poverty-relevant characteristics;
- simplify the interpretation of results of the counter-factual analysis;
- test the sensitivity of results to the definitions of poverty status and transition. The former check is performed by using alternative

poverty lines, the latter one by requiring equivalent household income to cross the poverty line of at least 10% of the poverty line itself in order to prevent results on time spent in poverty to be determined by small income changes.