Changes in the Patterns of Poverty Duration in Germany Over 1992-2010

Iryna Kyzyma
CEPS/INSTEAD, BIGSSS

Despite the introduction of substantial 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 changes in patterns of poverty duration as well as on the role of social policies with this regard. Hence, this paper aims to explore changes in poverty duration in Germany over 1990-2010 and investigate to what extent they can be associated with changes in social policies and other demographic and labor market characteristics of individuals and their households. To be more precise, it purports to determine whether the dramatic increase in poverty rates in Germany occurred mainly due to the increase in the number of short-term incidences of poverty or due to the increase in poverty persistence. In case of substantial changes in poverty duration the paper tries to determine what kind of factors are behind them and what the role of social policy reforms is in this regard. In addition to the overall population, the analysis is performed from the angle of different age groups in order to explore how social policies influence poverty experiences of people at different stages of their life-cycle. The primary method used for the analysis is discrete-time hazard rate modeling. This technique is extended to the multilevel framework in order to complement micro-level data with regional (Kreise-level) indicators capturing both social policies characteristics (active labor market policies, child care facilities etc.) and structural forces (e.g., regional GDP per capita, unemployment rates, demographic structure of the population, sectoral change etc.) that might also generate differences in poverty duration among individuals. In order to capture changes in poverty duration over time and explore the potential contribution of social policies as well as other demographic and labor market characteristics to these changes a 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. We also consider the application of a bootstrap procedure as a following step after survival analysis in order to estimate whether the differences in the effects of coefficients are significant across the periods under the study. The primary data for the analysis is derived from the German Socio-Economic Panel (GSOEP) that is one of the longest existing longitudinal datasets spanning from 1984. The waves incorporated into analysis cover the period of 1991-2010. The micro-level data is complemented with regional (Kreise-level) indictors obtained from the German Regional Databank, German Youth Institute and German Institute for Employment Research.