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Diverse Europe

mapping patterns of social change across the EU

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This paper was commissioned by the UK Economic and Social Research Council as a contribution to its sixth national social science conference, on the theme of Britain and Europe. It is based on research supported by both ESRC and the European Commission, using data distributed by Eurostat. Special thanks to our colleagues in the European Panel Analysis Group (see page 10), much of whose work has been quoted here.

Foreword

by Geoff Mulgan, Director, Prime Minister's Strategy Unit

Comparative research is no longer rare. Newspapers and current affairs magazines now routinely feature comparative data on everything from productivity rates and CD prices to public attitudes.

Unfortunately not all of this is as illuminating as it might be. It is all too easy to draw false conclusions, to learn inappropriate lessons and to see causes where there are only correlations.

One of the many virtues of Richard Berthoud and Maria Iacovou's report is that it shows just how sophisticated modern comparative research has become. Done well it provides insights that simply aren't available through any other methods.

Its first value is that it helps us to understand other people. 'Diverse Europe' describes a continent in which, despite 50 years of successful integration, the nations of Europe remain very distinct. They have very different family structures (for example, with half of Italian men continuing to live with their mothers up to the age of 30 and most Swedish couples cohabiting), very different welfare states (that range from maximal north to the often minimal south), and very different patterns of life. Since a high proportion of foreign policy errors arise from failures to understand how different the world looks to people in other countries, one should not underestimate the sheer educational value of good comparative mapping of this kind.

Its second value is that it helps to explain whether problems are tractable. Take, for example, youth unemployment. In the 1980s and 1990s it was widely believed that youth unemployment was an unavoidable consequence of deep-rooted processes of social and economic change. Yet comparative research called this conventional wisdom into question. It showed that otherwise quite similar countries had very different rates of youth unemployment, and that the low rates of the 'positive deviants' were more a consequence of policy design (notably entitlements to benefits and welfare to work policies) than of nature, or the structure of their economy.

Similar insights can be found in relation to family policy. Social scientists have accumulated a good deal of evidence on the persistence of family forms in different regions (Emmanuel Todd's remarkable work in the 1980s even showed that there was a long-standing correlation between family form and dominant political ideologies). Guided by this work no wise government would seek to change family structures (though some have tried). Yet comparative research also shows that policies can have a big influence at the margins.

The availability of public rented housing appears to correlate with children leaving home early. Teenage pregnancy rates correlate at least in part with other factors – such as sex education and employment opportunities for girls – which may be amenable to policy action. Even the intriguing finding that British teenage parents are more likely than their Danish, Austrian or Greek counterparts to be on their own ten years after giving birth may be partly explained by policy differences (once again, perhaps, connected with housing and benefits entitlements).

The third value of comparative research is that it helps us to see ourselves in a clearer light. Knowing that the UK has fewer roads per square mile, or per head of the population, than any other developed country puts some of our problems of congestion into perspective. Similarly, the unsolicited good news from the OECD's recent PISA comparative study on educational performance, which showed that British 15 years olds are doing rather better than their German or French equivalents may, if confirmed by other findings, put paid to some of the casual pessimism that colours much of the commentary on schools policy, while also giving an even clearer message that where we do least well is in post-16 education for children not going onto university.

Comparisons of this kind are never straightforward. Differences of history and culture always make it hard to translate analysis and lessons from one country to another. Often, too, the nation may not be the right unit of analysis.

But at its best work of this kind can be extraordinarily illuminating, and a good counter to complacency. If, for example, Sweden is doing much better at keeping over-50s in work, or Canada is doing much better at building a multi-cultural society, the rest of the world should take notice. The reasons may be complex, and the lessons may not be directly transferable. But engagement in comparative research is one of the essential starting points for genuine understanding.

Why compare countries?

- *In Finland, half of all young men have left the parental home before age 22. But in Italy, almost half of all men are still living with their parents at age 30.*
- *In Denmark, 67 per cent of mothers of children under 16 are in full-time work; in the Netherlands, the proportion is only 11 per cent.*
- *In Luxembourg, annual GDP per head is €44,000, while in Greece it is €15,000.*

Why compare countries?

What's the point of comparative research? At the most basic level, it is… well… interesting!

Comparative research reveals enormous differences in lifestyles and behaviour between people living in different countries, even within the narrow range of the European Union (EU). The three examples opposite – and there are scores more that illustrate just as strikingly the degree of difference between countries – leave no doubt that there are interesting variations to be investigated. These variations are set to become even more pronounced following the next EU enlargement to encompass as many as ten new countries.

But is comparative research important as well as interesting? We would assert that it is not just important, it is essential. Imagine a world composed of nation-states functioning independently of one another, where scholars and policymakers were only concerned with events within the borders of their own country. Even in this sort of world, researchers should be interested in whether their findings are generalisable to human society as a whole, or to a group of similar countries within the wider world, or whether they are unique to a single country. Even in this sort of a world, we may want to learn from research in another country – but this can only be interpreted properly if the social situation in the other country is understood.

And even in the very isolated world we describe, policymakers would do well to remember that socio-economic factors taken as givens in their own country – high youth unemployment, perhaps, or poverty among pensioners – are not facts of life in every country, and should not be shrugged off as unavoidable evils. Viewing the social situation in one's own country against the backdrop of a wider world gives a more objective view of what is right and wrong in one's own country, and a broader idea of what is possible. In the quest for 'best practice' solutions, it makes sense to look beyond the borders of one's own country, and comparative research is vital for creating this wider perspective.

Of course, we never have lived in a world where individual countries operate in isolation, and the modern world is moving further and further away from this imaginary situation. In 21st century Europe, nation-states still matter, but policy is increasingly being discussed at the European level. People, products, money and ideas are crossing national borders faster than ever before. Increasing numbers of organisations, both commercial and governmental, operate cross-nationally, and increasing numbers of people work for these organisations.

For these organisations, there is a clear need for a detailed map of variations in social and economic experiences between countries and groups of countries. The EU recognises this need, and its statistical office, Eurostat, is responsible for co-ordinating the production of the comparable data on which the research in this paper is based.

Social scientists have recognised the importance of comparative research for the greater part of a century. Over the last few decades, the emergence of comparable micro-level data sets has created new and exciting possibilities in cross-national research, and this area of social science is now expanding rapidly.

An area of particular growth, and the one on which this paper focuses, is comparative research at the EU level. This growth is due to funding initiatives from the EU and other bodies, and to the increased availability of harmonised micro-data, such as the Labour Force Surveys, the European Fertility Surveys, and the European Community Household Panel (ECHP). The ECHP, in particular, has opened up unprecedented opportunities for cross-national research, since the longitudinal nature of this survey means that differences across the EU may now be studied in a dynamic framework, examining how differences change and evolve, rather than in the static framework of cross-sectional data.

This paper has three main objectives. First, we hope to make a convincing case for the importance of cross-national comparative research. We argue that an understanding of the different lifestyles and processes within Europe is essential, not only for the growing number of policymakers working at the EU level, but also for policymakers and scholars working at the national level, for whom comparative research provides a useful backdrop against which to view policies and processes in their own country.

The second objective is to highlight the methodological issues facing the comparative social scientist. Some, such as the different characteristics of small- and large-scale studies, are also faced by researchers working at the national level. Others, such as the nature of 'country effects', are unique to cross-national research.

Third, the paper surveys a few key areas – family structure, employment and incomes – in which comparative research methods have been applied. We report on a selection of work in each area – mainly, but not exclusively, our own work and that of our European collaborators. Most of the reported findings are from existing work, but we also present some new findings.

The relevance of 'country' to social and economic processes

The aspects of life that matter to Europeans are broadly similar from Finland to Portugal and from Ireland to Greece. It is only because (say) employment means much the same in all these countries that it makes sense to make direct comparisons between them. Even when like is being compared with like, what does it mean when we say that young people move into the labour market five years later in Italy than they do in Britain (Iacovou and Berthoud, 2001)? Does the fact that they live in Italy delay young people's trajectories; or could the differences between the two countries be explained by economic forces that apply wherever they live? How far does 'country' as such play a role in people's lives?

It may help to think first about the significant influences in the slightly less complex situation within a single country. The variation in outcomes can be explained in terms of four distinct factors: personal, institutional, market and social. Take the case of whether a young person will obtain educational qualifications and move into a good job: the influences will be:

Personal	His or her own aptitudes, preferences and commitment
Institutional	The quality of the schools and colleges s/he attended
Market	The availability of appropriate jobs in the area at the time; the structure of wages and the returns to education
Social	The attitudes to education and employment prevailing in the social groups (family, neighbourhood, class, gender, age group) of which s/he is a member

The difficulty lies in distinguishing between the personal and the various external influences on each individual's trajectory. Young people's education is, in fact, the classic case where this issue has been discussed (Smith and Tomlinson, 1989) – partly because the institutional boundary (the school) can be delineated so clearly, partly because of the obvious policy considerations around identifying 'good' and 'bad' schools. The overall range of variation in pupil outcomes can be attributed in part to variations between pupils *within* schools, and in part to variations *between* schools.

The same set of arguments applies, in principle, to the analysis of market and social influences on young people's trajectories within a country. It is not so straightforward to identify 'markets' and 'social groups' as units of analysis because they lack clear boundaries. But the variation in outcomes can still notionally be partitioned into personal variations between individuals within markets/social groups, and variations between markets or groups.

Now consider the same sets of questions in the context of international comparisons. Whole countries can be interpreted as a set of institutions (the national government and its policies), markets (the strength and structure of the national economy) and social groups (the linguistic, cultural and other conventions of the population). Again, variation in outcomes across the whole of Europe can be partitioned into variations between individuals *within* countries, and variations *between* countries. A key question is the size of the 'country effect' in comparison with the overall range of differences between individuals. A subsequent question is how far the observable characteristics of countries (political tradition, economic prosperity, religious background and so on) can be used to explain the between-country component.

Nor should 'country' be the only possible unit of analysis. That is appropriate if we believe that the current allocation of territories and ethnic groups to nation-states provides the most effective differentiation. To say that 'country' is the key unit is to assume that, for example, the north of France has much more in common with the Midi than it does with the Walloon (French-speaking) region of Belgium. One can immediately think of all sorts of areas, even within Europe, where the economic or cultural boundaries between regions (within a country) may be as relevant to analysis as the boundaries between countries.

Comparative research methods

Alternative cross-national research methods have often been labelled 'case-oriented' and 'variable-oriented' approaches (Goldthorpe, 1997)[1]. They are discussed here under rather different labels: *micro-qualitative* and *macro-quantitative*. Many of the differences between these approaches have close parallels with the traditional contrast between qualitative and quantitative studies within a country: one interprets highly detailed information about a small number of examples; the other applies numerical analysis to structured measurements on a large number of cases. But recent developments in the production and dissemination of data have boosted the scope for a third approach, particularly appropriate to international comparisons, which we refer to as *micro-quantitative*.

- *Micro-qualitative methods*: The approach most commonly associated with the term 'comparative research' consists of detailed descriptions of the position in a small number of selected countries. Large quantities of both statistical and descriptive information are collected about each country, to a harmonised agenda but without a common data source. Typically, a local research team will be involved in each country, and the development of appropriate methods of communication between them (including choice of a common set of languages) is a crucial element of the programme. Like qualitative research among individuals, the value of micro-qualitative comparisons between countries lies in the detailed understanding of the processes at work in each country. The drawback is the difficulty of making rigorous generalisations about the nature of country differences.

- *Macro-quantitative methods*: At its simplest, this approach involves comparing countries on the basis of aggregate statistics, with virtually no reference to the processes at work *within* countries. Well-known examples of aggregate statistics include GDP, the birth rate and life expectancy. Such statistics are often produced by national governments, but they are commonly collated by international organisations such as Eurostat, the OECD and agencies of the United Nations. Other aggregate statistics, including many of those presented in this paper, can be derived directly from cross-national data sets. Where international comparisons are intended, it is important to ensure that the statistics are collected and calculated in the same way in each country. The international organisations have made a substantial contribution to harmonisation of procedures, though it is still appropriate to guard against too superficial an interpretation of differences between countries (Desrosières, 1996). The recent proposals for the use of 'indicators of social inclusion' represent a good example of this research approach (Atkinson et al, 2002).

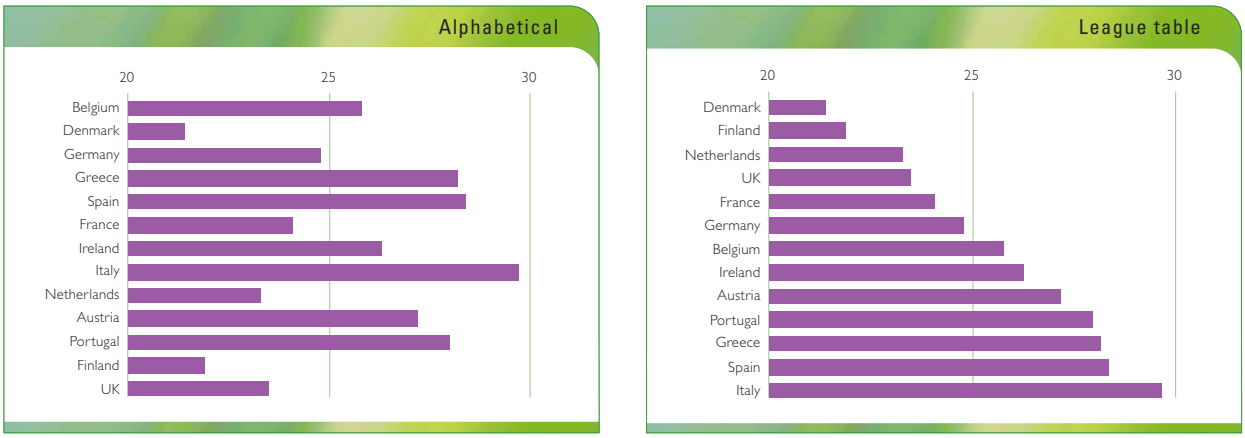
- *Micro-quantitative methods*: Whereas macro-quantitative comparisons are entirely based on aggregate statistics, it is increasingly possible to undertake detailed analysis of household data sets covering a range of countries. These may be seen as a 'collection' of countries (with no common characteristic other than the availability of appropriate data), or alternatively as a 'population' of countries (that is, all the countries with some shared characteristic). The release of the ECHP represents a major step forward, providing analysts with a common data set covering the whole EU. For the first time, it is possible to measure the extent of *between*-country variation, and compare it with measures of *within*-country variation. Since each country's data set is available for detailed analysis aimed at identifying the influences on outcomes, it is possible to compare countries in the strength of those influences, as well as in the frequency of the outcomes. Researchers are, though, only beginning to devise analytical approaches to take advantage of these opportunities.

The remainder of this section discusses some alternative approaches to the analysis and interpretation of country effects across Europe. Most of the discussion is concerned with the analysis of quantitative material, though many of the points are also relevant to qualitative analysis.

[1] *See Gauthier (2002), Goldthorpe (1997), Hantrais and Mangen (1996) and Kohn (1989) for more detailed reviews of comparative research methodology.*

Chart 1 illustrates two common ways of listing country-level statistics, using the age by which half of young men have left home as the example. A very large proportion of statistical output is presented in alphabetical order, as in the first panel. (Eurostat's data are ordered by the initial letters of the country name in its own language, which is why the English version appears not to be alphabetical.) Alphabetical lists enable us to look up findings for any particular country, but they are almost impossible to interpret. A more helpful form of presentation is the 'league table': countries are listed in order from lowest to highest (or vice versa) on the aggregate statistic under consideration, as illustrated in the second panel of Chart 1. This immediately establishes the range, and readers can form hypotheses about the characteristics of the countries at each end of the table, provided they are broadly familiar with the countries concerned. A disadvantage is that each table has a different order, and this makes it difficult to review outcomes over a range of criteria.

Chart 1: Two ways of listing countries according to the age by which half of men have left home



Source: ECHP, from Iacovou (2002a)

Perhaps the most common way of trying to make sense of country-level data is to organise the countries into categories that are hypothesised to have some underlying similarity. Three approaches are summarised in Table 1.

- *Region*: It is hypothesised that neighbouring countries are likely to have close social links, and to experience similar economic conditions. Within Western Europe, a north/south divide is most commonly identified: the Scandinavian countries at one end, the southern (often erroneously referred to as Mediterranean) countries at the other. There is no consensus about how the large group of countries in between should be ordered. Table 1 lists them roughly from north west to south east.

- *Religion*: The hypothesis here is that a country's historical religious affiliation will have such an important effect on other areas of social and economic life as to be a primary criterion for comparison. Countries are listed in Table 1 in order of the proportion of the population reported to be Catholics (or Orthodox in Greece) (CIA, 1998). That objective listing is not always followed by analysts, who tend not to group France, Belgium or Luxembourg among the characteristically 'Catholic' countries.

- *Welfare regime*[2]: Esping-Andersen (1990) and Ferarra (1996) have developed models of alternative approaches to the development of social policy, using the four categories shown in the third column of Table 1. This is one of the few classifications derived from a theoretical perspective, and its obvious relationship with policy makes it an attractive potential explanatory system. Our own view is that it is a helpful basis for classifying countries for the analysis of welfare policy, but that it is not especially relevant to other areas such as family formation or employment patterns. Welfare regime may be over-used because of the absence of any alternative theoretically based classification of countries.

Table 1: Three ways of categorising EU countries

REGION	RELIGION	WELFARE REGIME
Scandinavian Finland; Sweden; Denmark	**Protestant** Finland; Sweden; Denmark	**Social democratic** Finland; Sweden; Denmark; Netherlands
North/Central UK; Ireland; Netherlands; Belgium; Luxembourg; France; Germany; Austria	**Mainly Protestant** UK; Netherlands; Germany	**Liberal** UK; Ireland
Southern Portugal; Spain; Italy; Greece	**Mainly Catholic** Belgium; Austria	**Corporatist** Luxembourg; Belgium; France; Germany; Austria
	Catholic/Orthodox France; Ireland; Luxembourg; Portugal; Greece; Spain; Italy	**Residual** Portugal; Spain; Italy; Greece

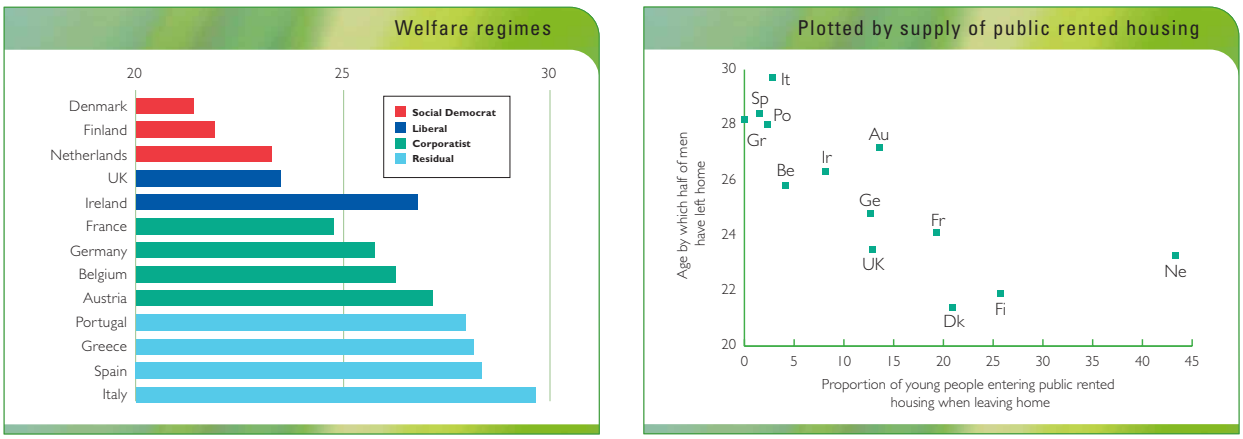
[2] *The labels of the four categories, and the exact allocation of countries to headings, vary from analyst to analyst. The residual regime is often labelled 'southern' but that confuses the policy model with the regional perspective.*

All of these approaches are of value, and their application will be illustrated in this paper. It is sometimes helpful to develop a hybrid categorisation, using a combination of these three criteria to define groups of countries that appear to have similar outcomes. There are two main difficulties. One is that, as the listings in Table 1 show, there is a strong overlap between the classification systems. The three Scandinavian and the four southern countries appear at the opposite ends of each scale. So it is not possible to say whether differences between them are attributable to geographical position, religious affiliation, social policy regimes or some other variable. It is only among the remaining eight countries that the ordering varies from model to model, and these are therefore crucial to the interpretation of processes.

The second difficulty is that analysts do not always establish that all the countries in one group are distinct from all the countries in another group in the outcome under consideration – or if not, how effective the categories are at distinguishing between country outcomes (see Chart 19 for an illustration of this analytical segmentation). It is not uncommon for analysts to choose three or four countries each as 'representative' of their hypothesised group; or for data to be pooled across all the countries in a group, so that within-group differences are masked. Both of these approaches help analysts to find differences between groups, but discourage them from testing the validity of the classification system as an explanatory model.

The use of country categories as an aid to interpretation of country differences is illustrated in the left-hand panel of Chart 2. The age at which young men leave home is again used as the example, plotted this time in colours representing the four types of welfare regime. There is a clear division between the 'social democratic' regimes (early home leaving) and the 'residual' regimes (late home leaving). The 'liberal' and 'corporatist' regimes occupy the middle of the range. On the other hand, one could argue that France ('corporatist') really belongs in a group with the UK ('liberal') and the Netherlands ('social democratic'); while Ireland ('liberal') might have been placed among the late-leaving 'corporatist' countries such as Belgium and Austria.

Chart 2: Two ways of plotting countries according to the age by which half of men have left home



Source: ECHP, from Iacovou (2002a)

An alternative approach, which is both more naturally quantitative and potentially more rigorous, is to plot the outcome we wish to explain against some other aggregate statistic that is hypothesised as a potential explanation for country differences in the outcome. The method is illustrated in the right-hand panel of Chart 2, where the age at which young men leave home is plotted against the proportion of young people whose first destination after leaving home is in publicly rented housing. There appears to be a relationship, whereby the more young people are able to move to public housing, the earlier they are likely to leave home (Iacovou, 2001, 2002a).

Several examples of that kind of analysis are illustrated in this paper. In principle, the analyst can observe, and even measure, the consistency of the relationship between the outcome and the hypothesised explanatory variables. That is not to say that any variable correlated with the outcome should be assumed to play a direct causal role. (In this case, for example, it is far from clear that access to public housing is the primary influence on home-leaving decisions.) It is important to limit the choice of explanatory variables in two ways:

- There should be a clear hypothesis about the process by which the explanatory variable might influence the outcome.
- The hypothesis about the influence should be expressed in terms of processes operating at the country level, rather than at the individual level.

The development of micro-quantitative data sets greatly expands the opportunities available for rigorous cross-national analysis. An underlying difficulty, though, is the relatively small number of countries available for inclusion in any quantitative comparison – frequently only three or four, rarely more than the 15 included in the ECHP. We are often forced to make essentially qualitative judgements about differences between countries, in spite of the quantitative sophistication of the analysis within countries. A more disciplined approach is needed.

Mapping diversity

The remainder of this paper reviews major variations across the EU in three key areas of social and economic life: the family, employment and household incomes. There is no pretence of comprehensive coverage either of issues or of research findings. The aim is simply to illustrate both the wide range of variation between countries and the identification and interpretation of country effects. It is important to move beyond meaningless lists of country statistics, to identify patterns that enhance our understanding of the processes at work within countries and across countries. The following focuses on the search for patterns, though we do not pretend to have found anything like a single pattern that explains variations across all three areas.

Rather than aim for a broad analytical overview, we have mainly summarised the research findings of the European Panel Analysis Group (EPAG, see Box 1), a consortium of sociologists and economists that has been undertaking studies in these areas over the past five years or so with the support of the European Commission and ESRC. Much of the material is drawn from EPAG's analysis of the ECHP (see Box 2). The use of one group's work and one main source provides a thematic thread that would be difficult to maintain if we tried to cover all the available material. This is emphatically not a review of the literature; on the contrary, the aim is to use our own and colleagues' findings to illustrate both the difficulties and the value of comparative research.

Box 1. The European Panel Analysis Group

The members of the EPAG consortium are: Institute for Social and Economic Research, University of Essex (co-ordinators); DIW Berlin; Economic and Social Research Institute, Dublin; Tilburg Institute for Social and Socio-Economic Research; Centre for Labour Market Studies, University of Aarhus; Department of Sociology and Social Research, University of Milano-Bicocca

EPAG is setting up a EuroPanel Users' Network (EPUNet) to help new users gain access to the ECHP and to build contacts between existing users. Further details are at www.iser.essex.ac.uk/epag. Users and potential users wishing to express an interest in the network should e-mail EPUNet@isermail.essex.ac.uk.

Much of the raw household survey data that has been available in the past has represented a set of countries selected by the availability of data. That leads to an analytical approach which compares 'this' country with 'that' country, or establishes a range of diversity between a number of countries, each considered representative of a category. The ECHP provides, for the first time, a micro-data set that represents the EU as a whole, as well as each of its members. That allows us to interpret the data in terms of an overall distribution (of family types, of employment positions and of household incomes) and distinguish more rigorously between individual variation and country effects.

Box 2. The European Community Household Panel

The ECHP is a survey undertaken in all 15 current EU members. In most countries, an original survey was undertaken to a common design laid down by Eurostat. In some countries, data from an existing household panel survey was transcribed into the common format. The survey was launched in the then 12 members in 1994; Austria, Finland and Sweden were added to the sample in 1995, 1996 and 1997 respectively. The sample totals around 73,000 households across Europe, ranging from 7,000 each in Italy and France to just 1,000 in Luxembourg; all adults in selected households were interviewed, providing data about 153,000 individuals. Members of the sample have been re-interviewed each successive year (thus making it a 'panel' survey), and this means that the data can be used either 'cross-sectionally' to describe the position at any one time, or 'longitudinally' to analyse changes from year to year. The final wave of interviews was in 2001; at the time of writing, data for the sequence 1994 to 1998 have been released for analysis. (For a more detailed description of the survey, see Wirtz and Mejer, 2002.)

The analysis here covers all 15 countries whenever possible. Luxembourg is sometimes omitted because its small sample size limits the opportunity for detailed analysis. Austria, Finland and/or Sweden are sometimes omitted because their surveys had not been released at the time the particular analysis was undertaken. Sweden is also sometimes omitted because its survey did not include the particular survey question under analysis. References to 'wave 1' of the survey mean 1994 for the initial 12 countries, with the first available data for the three late entrants.

Diverse families

Diverse families

The last three decades have seen huge changes across Europe in patterns of partnership and parenthood.

This section is concerned with family structure and living arrangements. We address three basic questions. Do people live alone or with others? Where households consist of more than one person, how many people are present in the household and what are the relationships between them? And what are the reasons – financial, social, cultural and other – why people choose the living arrangements they do?

Strong regional patterns are evident in the study of living arrangements. These do not correspond precisely to the 'regional' classification of Table 1, so we have used a hybrid system to define three groups of countries in which the Netherlands is attached to its Scandinavian neighbours because it shares their social democratic policy regime, and Ireland is attached to the southern group of countries because it shares their Catholicism. This produces the following three groups which provide an excellent typology for many (though, as will become clear, not all) aspects of family formation.

Nordic	Finland; Sweden; Denmark; Netherlands
North/central	UK; Belgium; Luxembourg; France; Germany; Austria
Southern/Catholic	Ireland; Portugal; Spain; Italy; Greece

Household size

Chart 3 presents one of the simplest descriptive statistics of living arrangements: average household size. This ranges from 2.2 in Sweden up to almost double that figure in Ireland, where it is 4.0. Countries are arranged in ascending order of household size. This ranking also divides them neatly into the 'Nordic', 'north/central' and 'southern/Catholic' classification. Of course, there are major differences within the groups as well as between them.

Chart 3: Average household size

Source: ECHP, authors' analysis

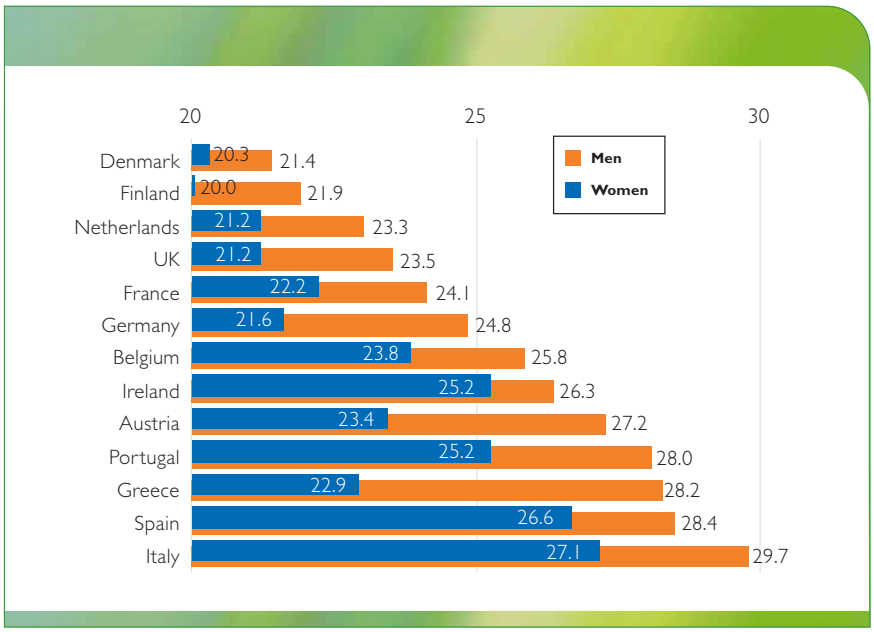
Average household size provides a useful summary measure revealing large differences between countries. But it provides no details about the composition of households within countries, or the factors contributing to large or small households. Since these issues are complex, they are often addressed by looking at particular stages in the life cycle.

Leaving home

The most important residential transition that most people will ever make – from living as a dependent in the parental home to living independently in one's own home – is generally made in young adulthood. Because young people's economic circumstances are frequently quite precarious, their living arrangements are strongly related to well-being (financial and otherwise) at this age. It is particularly interesting to study young people's living arrangements in a cross-national context, because there is far more cross-national variation in living arrangements during young adulthood than at any other time of life.

Chart 4 shows the age by which half of all young people are living away from home in each country. Clearly, individuals may move out of home and back again several times during their housing career. This measure of age at leaving home is uncontaminated by these complications, though, since the proportion of young people living away from home rises steadily with age in each country, so it is a relatively simple exercise to identify the point at which half of young people are living independently. For women, this varies from age 20 in Finland to over age 27 in Italy. For men, it varies from under 22 in Finland and Denmark to almost 30 in Italy. Again, countries fall into the three groups defined earlier, with home-leaving earliest in the Nordic countries and latest in the southern countries – with Ireland again closer to the southern position than its geographical location might lead us to expect.

Chart 4: The age by which 50% of young people have left home



Source: ECHP wave 1, from Iacovou (2001, 2002a)

Forming partnerships

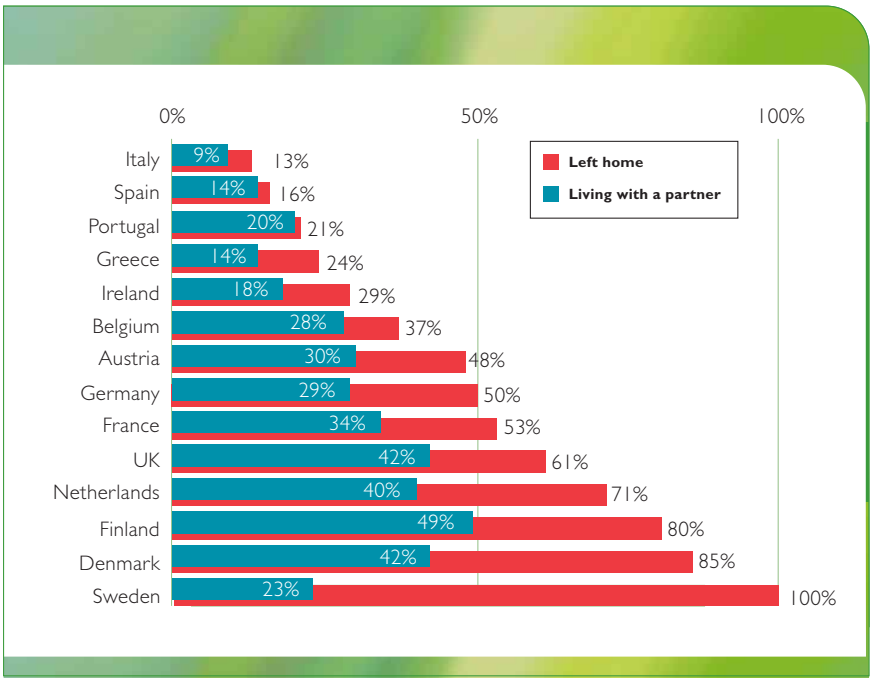
There are two main sources of between-country variation in partnerships. First, the speed with which young people move into partnerships varies by country, in a way that does not necessarily match the rate at which they leave home. Second, the type of partnership varies: formal marriage is the norm in some parts of Europe, and non-marital cohabitation more common in others.

Certain features of partnership formation are common to all countries. The proportion of people living in partnerships is virtually zero below the age of 18 in all countries, and this proportion rises rapidly through the twenties. The increase begins earliest (around age 18) in the 'Nordic' countries and latest (around age 22) in the 'southern/Catholic' countries. The increase in the proportion living with partners tails off around age 30 in the 'Nordic' countries and around age 35 in the 'southern/Catholic' countries. In all countries, the proportion of individuals living in partnerships remains essentially stable between age 35 and 65; this does not imply that no new partnerships are being formed, but that the rate of formation of new partnerships is matched by the rate of dissolution of existing partnerships.

From a comparative perspective, most of the 'action' as far as partnerships are concerned is in the 20-35 age group. This is the time when partnership status is changing most rapidly, and it is also the time when there are the widest differences between countries. At age 25, only 8 per cent of Italian men are in partnerships, while 48 per cent of Finnish men are in partnerships: thus, Finnish men are six times more likely to be living in a partnership at age 25 than Italian men. These huge differences are not seen at any other age.

Chart 5 uses as its sample young men aged 23-27 (that is, the five-year age band around age 25). The proportion of those who have left home and the proportion in partnerships are shown for each country. Those countries where young people leave home earlier tend to be the same countries where young people are more likely to live in partnerships, but the earlier people leave home, the wider the gap tends to be between leaving one's parents and moving in with a partner. The most notable case is Sweden, where almost all men in this age range have left home, but where under a quarter live with a partner – nearly all of the remaining three-quarters live alone.

Chart 5: The proportions of men aged 23-27 who have left home and who are living with a partner



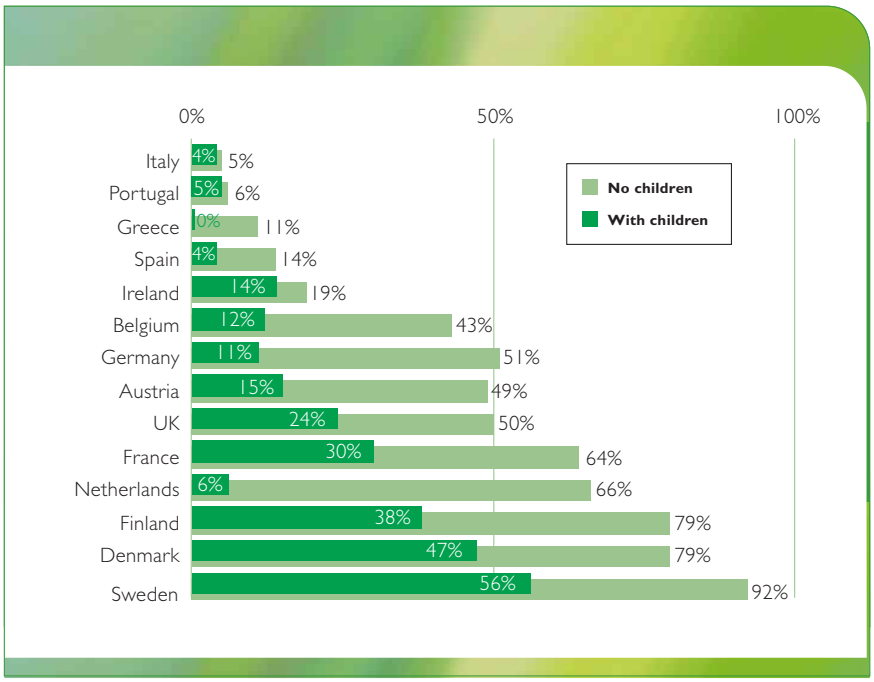
Source: ECHP, authors' analysis

In all countries, non-marital cohabitation is around three times more common among people in their twenties than among those in their thirties, and nearly twice as common in the thirties as in the forties. Among women in their twenties who live with a partner, the proportion who are cohabiting rather than formally married is well under 10 per cent in southern/Catholic countries; between 20 per cent and 50 per cent in Austria, Germany, France, Belgium and the UK, and between 60 per cent and 75 per cent in the Nordic countries. Among women in their forties, the range is much narrower: under 1 per cent in Greece and Italy, and over 10 per cent only in Denmark, Finland and Sweden.

Several factors are responsible for this marked difference between the generations. First there is a cohort effect: cohabitation has become more common over the past half-century, and men and women now in middle age and beyond would have been very unlikely to cohabit even when they were in their twenties. Second, there is an age effect, with younger people preferring to live in informal cohabitations and moving later towards formal marriage.

The age effect is linked to the birth of children, since couples with children are more likely to be married. Chart 6 shows that in general, those countries where cohabitation is common among couples *without* children, are the same countries where cohabitation is more common among couples *with* children. But couples with children are always more likely to be married: this is particularly true in the Netherlands, where cohabitation is extremely common among childless couples, but very uncommon among couples with children – as uncommon as it is in southern countries.

Chart 6: The proportion of couples with the woman in her twenties who are cohabiting, by whether they have children



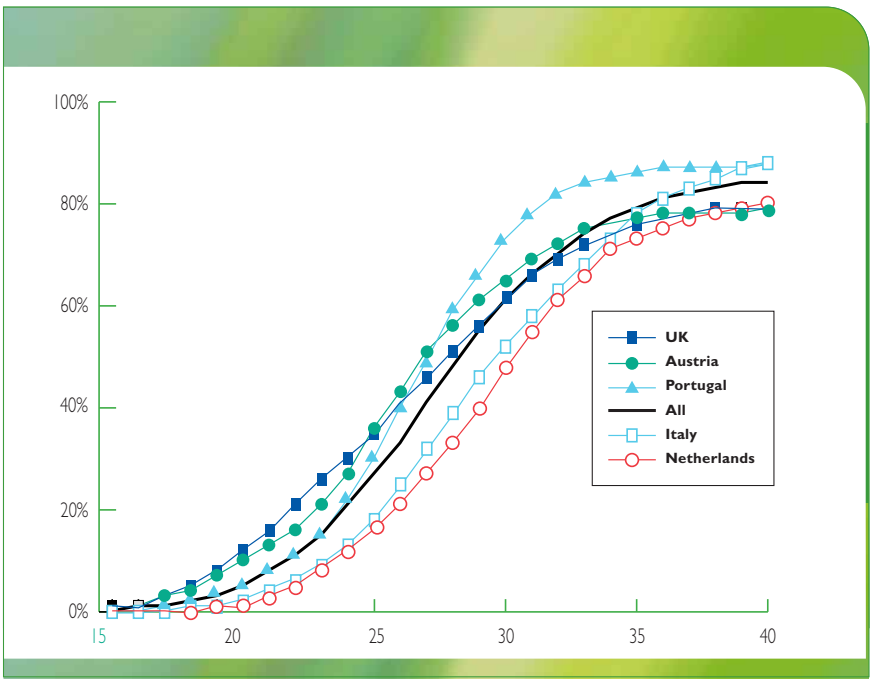
Source: ECHP, authors' analysis

Having children

Of course, the proportion of couples in a particular age group who have children will also vary between countries. Chart 7 plots these differences for women in selected European countries (those countries where fertility is particularly high or low by some age, with the European average shown by the line in bold print). At age 15, hardly any women in Europe are mothers, while at age 40, between 80 per cent and 90 per cent of women have become mothers in all countries.

As with entry to partnerships, the big cross-national differences are seen in the mid-to-late twenties. Here, the regional classification that was so evident in previous sections does not apply. The most delayed fertility is in the Netherlands and Italy (with only around half of women in these countries having had a child by age 30), while the earliest fertility is in the UK and Austria (where half of all women are mothers by age 27). Chart 7 shows that fertility in the UK is the highest in Europe, not just in the teenage years, but throughout the early twenties. The distance between the curves for the UK and Austria, the country with the second highest fertility in this age group, indicates the magnitude of the UK's 'lead' in early fertility.

Chart 7: The proportion of women with children, by age in selected countries



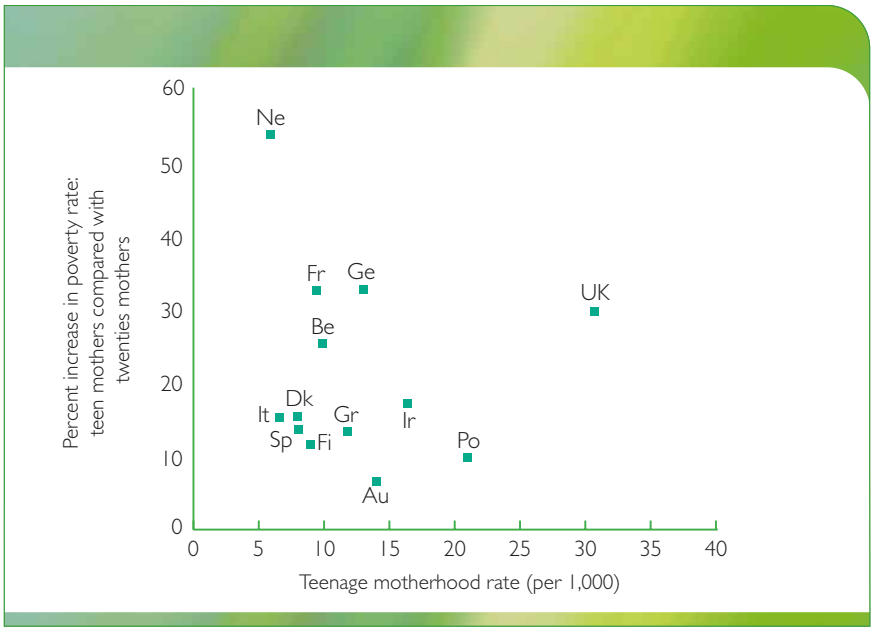
Source: ECHP, from Iacovou (2002a)

The annual teen birth rate ranges from six per 1,000 women in the Netherlands up to 30 per 1,000 women in the UK (plotted on the horizontal axis of Chart 8). Other EU countries with low teen birth rates are Sweden, Italy and Spain; other EU countries with high teen birth rates are Portugal, Ireland and Austria. Clearly, teen birth rates do not follow the regional patterns that are evident in other aspects of family formation.

While many teenage mothers in the UK and Ireland have their babies outside of any marital or cohabiting partnership, in Greece, another country with a relatively high teen birth rate, nearly all teen mothers are (formally) married.

Teen mothers and their families also have a high risk of experiencing poverty. Chart 8 (vertical axis) plots the increased risk of poverty associated with teen motherhood as opposed to twenties motherhood, against the prevalence of teen motherhood in each country. Teen motherhood is strongly associated with poverty in the Netherlands, France, Germany and the UK, but only weakly associated with poverty in Austria, Italy and Spain.

Chart 8: Poverty associated with teen motherhood, by frequency of teen motherhood



Source: birth statistics, from UNICEF (2001); and ECHP, from Berthoud and Robson (2001)

Interestingly, Chart 8 suggests a negative relationship between the prevalence of teen motherhood and the degree of disadvantage associated with teen motherhood. In countries where it is common, the consequences of teen motherhood appear to be less severe, and vice versa. The most notable exception is the UK, which has the highest rate of teen motherhood in the EU, but where teen motherhood is associated with a high risk of poverty.

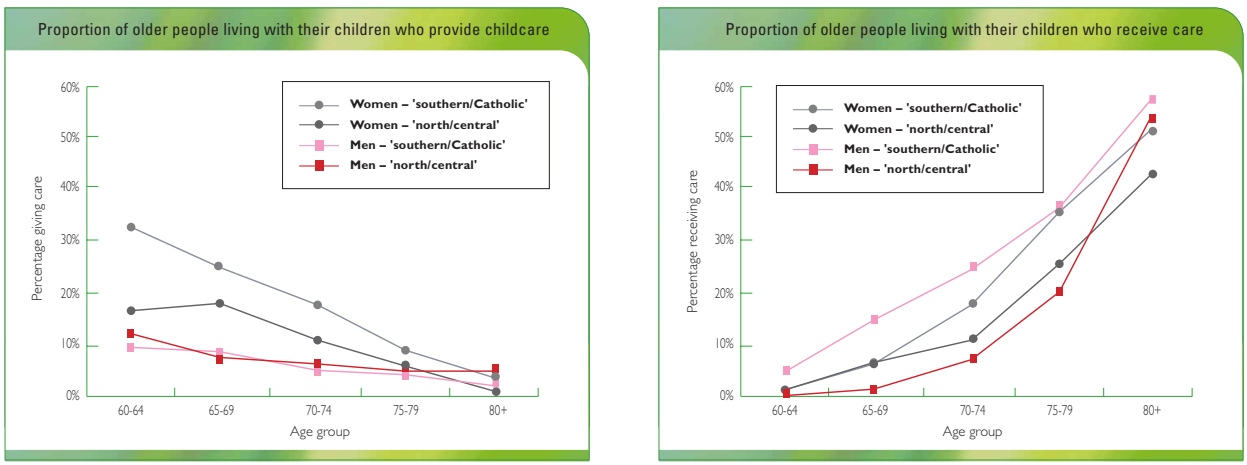
Older people

At the other end of the age range, older people form another group of interest. This is in part because older age is often a time of economic precariousness, with the choice of living arrangements closely related to economic well-being. Older people's living arrangements may also be subject to change due to widowhood, moving in with adult children, or moving into a residential facility. Analysis using the ECHP (Iacovou, 2002b) shows that to a large extent older people's living arrangements follow the same regional pattern as those of younger people. In the southern/Catholic countries, 33 per cent of women over age 65 live with one or more of their children; in the north/central group only 10 per cent live with a child; and in the Nordic countries, only 3 per cent live in the same house as one of their children.

Older people may move in with their adult children in order to be cared for by their children. Where this happens, it is clear that the bulk of care is provided by women (Iacovou, 2002b). Older people are just as likely to live with their sons as with their daughters in old age. Where older people live with daughters, the daughters provide the care; but where they live with sons, the care is provided primarily by daughters-in-law.

Nevertheless, cohabitation between generations is not simply a case of the younger generation caring for their elderly parents: the older generation also helps the younger generation, by providing childcare. Chart 9 takes as its sample people over the age of 60 living with their adult children, and plots the proportion providing childcare within the family (left-hand panel) and the proportion receiving care (right-hand panel) within the family.

Chart 9: The proportion of older people living with their children, who provide childcare (left-hand panel) and who receive care (right-hand panel)



Source ECHP wave 1, from Iacovou (2002b)

Note: the 'Nordic' group of countries is not shown on the graph as so few older people live with their children.

As expected, the proportion providing childcare falls with increasing age, while the proportion receiving care increases with increasing age. Thus, it may be said that the reciprocity in this arrangement is sequential rather than contemporaneous. It is also worth noting that there is far more reciprocity in the arrangements where the elderly co-resident is female. Older men receive just as much care as older women, but they provide very little childcare.

Diverse employment

Diverse employment

Jobs are as important to the social and economic health of nations as they are to the well-being of individuals.

The importance of jobs to economic policy means that the EU has a highly developed set of data sources covering both supply and demand in the employment market. The Labour Force Surveys carried out in each country are especially valuable, though it is not yet possible for independent analysts to access all national surveys directly.

Characteristics of jobs

A set of popular stereotypes distinguishes between advanced economies, where most employment is in the service sector, and less developed economies, where primary production, especially in agriculture, is dominant. It is true that the proportion of men and women working in agriculture is ten times as high in Greece as it is in the UK (Chart 10). On the other hand, the proportions even in Greece and Portugal are only 17 per cent and 13 per cent respectively, and the service sector provides at least half of the jobs in every EU member.

Chart 10: Employment by industrial sector

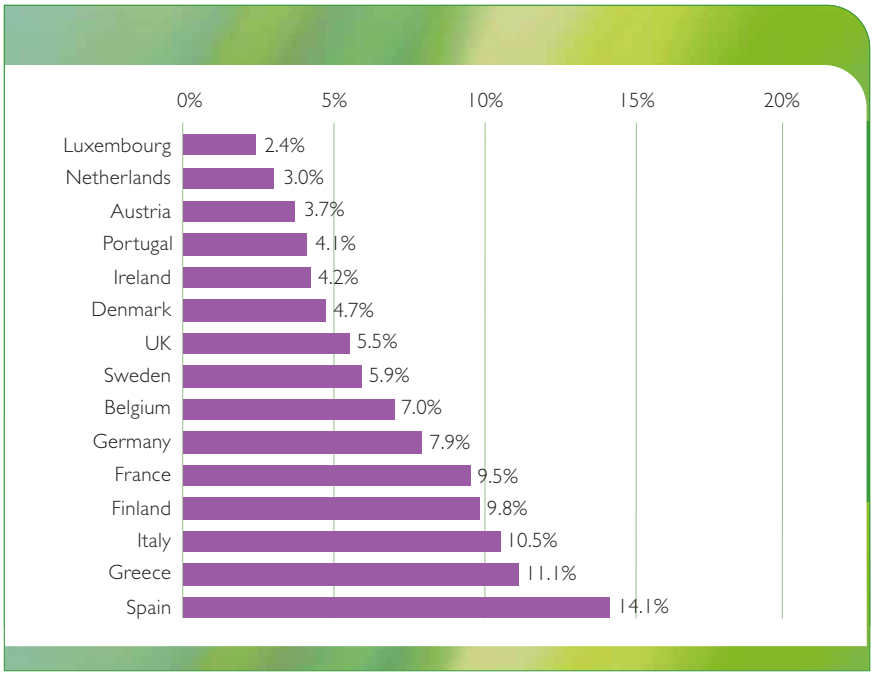
Source: Labour Force Surveys, from Eurostat Yearbook 2002

Another aspect of jobs that has attracted attention is variations in the terms and conditions of employment. Here the exception is Spain, where 30 per cent of workers report that they are on temporary or fixed term contracts, compared with between 3 per cent and 12 per cent of employees in the other EU countries (Muffels and Fouarge, 2002).

Unemployment

But rather than focus on the characteristics of the jobs themselves, this sketch of employment patterns across Europe concentrates on the even more fundamental question of whether people have a job at all. The primary measure of the gap between the supply of and demand for labour is the rate of unemployment. Counts of the number of people claiming unemployment-related benefits are important for national administrative purposes, but international comparisons use the 'ILO' (International Labour Organisation) definition based on the number of men and women who would like to work, and are taking steps to find a job. Chart 11 plots the range, from 2.4 per cent in Luxembourg to 14.1 per cent in Spain. The reader's first instinct is to link this range to a mental scale of countries running from northern/prosperous to southern/poor. But as so often, it is important to note the exceptions to the rule, notably Portugal, whose unemployment rate is much lower than that of the other southern countries.

Chart 11: Unemployment rates



Source: Labour Force Surveys, Eurostat Yearbook 2002

Another striking feature of unemployment is the very wide range of variation observed between regions within some countries. For example:

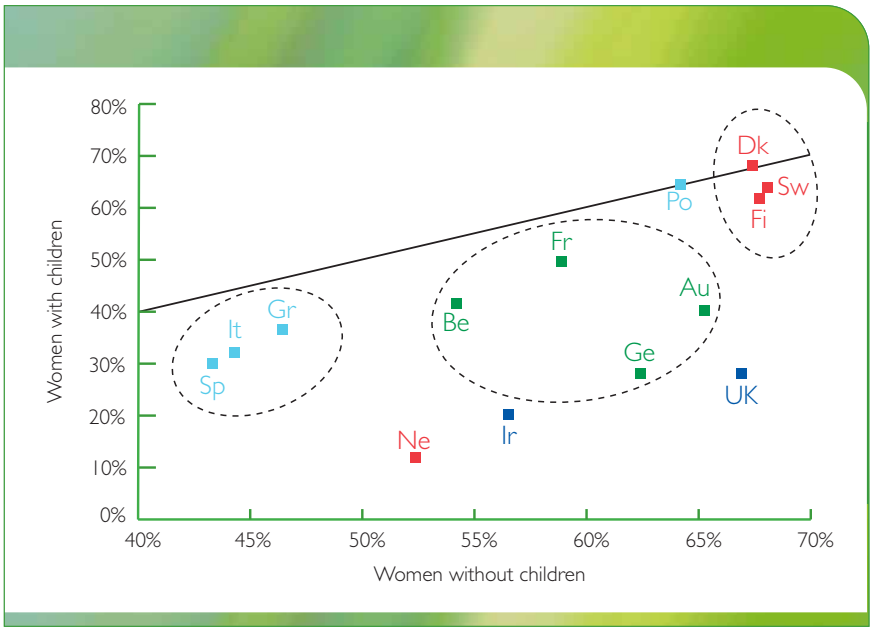
Italy:		**Spain:**	
Trento/Alto Adige	3.1%	Balearics	4.8%
Calabria	27.7%	Ceuta y Melilla	25.5%

Women's employment

In every country in the EU, the great majority of men in the age range 25-50 have a job. Women's employment is less easy to measure meaningfully. The employment careers of individual women vary more than those of men due to childbearing. The alternatives to employment for women are more complex and less obviously unattractive than they are for men. And many more women than men work part-time. The horizontal scale of Chart 12 shows a very wide range of full-time employment rates for women with no children, from less than half in Spain, Italy and Greece, to more than two-thirds in Sweden, Finland, Denmark and the UK.

As one would expect, there is a clear relationship between the full-time employment rates of women with children (vertical axis) and women without children (horizontal axis). In many countries, mothers are less likely to work full-time than women without children, though this is not true in the Scandinavian group. In some respects, there is a 'clustering' of countries into categories similar to those illustrated in Table 1.

Chart 12: Full-time employment rate among women aged 25-50, those with children compared with those without children



Source: ECHP wave 1, authors' analysis

Note that the horizontal and vertical axes have different starting points and different scales.
The diagonal line marks the point where the employment rates of the two groups of women would be the same.

The Scandinavian countries are clustered at the north east corner of Chart 12, with high rates of employment for women with and without children. Greece, Italy and Spain are clustered towards the south west corner of the chart, with the lowest rates of employment for women without children, and relatively low rates of employment for women with children. At the centre of the chart, there is a (rather diffuse) cluster of countries that could be labelled either 'north/central' or 'corporatist'. Ireland and the UK do not have much in common, except that in both countries, women with children are less likely to have a full-time job than would be expected, given the total amount of female employment.

By far the most noteworthy feature of Chart 12 is the behaviour of women in the Netherlands and Portugal. In many respects, the latter is a typical member of the southern group of countries, and the former is a typical member of the social democratic group. But the full-time labour supply of mothers in the Netherlands is by a large margin the lowest in Europe, very different from behaviour in the other social democratic countries And the labour supply of women in Portugal is among the highest in Europe, more typical of the Scandinavian countries than the other southern countries.

Work-rich and work-poor couples

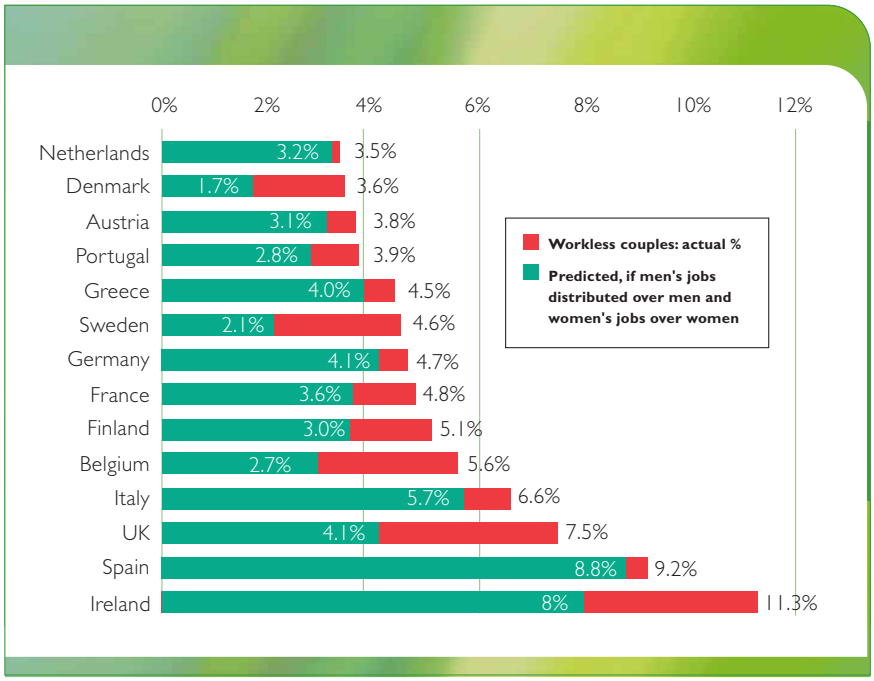
As well as analysing employment at the level of the individual, male or female, it is also interesting to look at the family. From the perspective of the poverty and deprivation associated with unemployment, these are likely to be mitigated if another family member is in work. And from the perspective of the welfare state, entitlement to benefits is often assessed at the level of the family – in some countries, including the UK, the couple; in other countries, the wider family.

The couple is the unit of analysis in Chart 13, including cohabiting couples as well as married ones. Couples where the man is aged 25-55 are used to avoid confusing unemployment with education or retirement. The combined green and red bars show the percentage of workless couples in each country, ranging from under 4 per cent in Denmark and Austria, to over 11 per cent in Ireland.

How much are variations in 'work-poverty' among couples related to variations in employment rates, and how far are they related to polarisation of work – to non-employment being concentrated among certain 'work-poor' couples, while other couples may be 'work-rich' and have two jobs between them?

If couple worklessness were due simply to there not being enough jobs to go round, rather than to non-employment being clustered in certain families, the proportion of workless couples would equal the proportion of jobless wives multiplied by the proportion of jobless husbands in each country. This predicted rate of couple worklessness is shown by the green bars in Chart 13. The red bars indicate the proportion of couple worklessness attributable to the 'clustering' of unemployment in certain couples.

Chart 13: Proportion of couples (man aged 25-55) where neither the husband nor the wife is employed, actual compared with predicted percentages



Source: ECHP wave 1, authors' analysis

In the Netherlands, Austria, Greece, Italy and Spain there is very little red, indicating a low degree of polarisation. On the other hand, there is evidence of a much higher degree of polarisation – that is, of disproportionate clustering of joblessness among certain couples – in the Scandinavian countries, and in the UK, Belgium and Ireland.

Non-working households

The polarisation in some countries between two-earner and no-earner couples may be part of a wider phenomenon. In spite of long-term growth in the number of people in work, there has been an increase, too, in the number of adults of working age living in households where no one has a job. This trend towards 'work-poverty' has been the focus of significant attention in Britain, both academically (Gregg and Wadsworth, 1999) and in the policy arena (for example, Commission on Social Justice, 1993). There has, though, been relatively little analysis of the importance of no-earner households across Europe as a whole.

Box 3. Analysis of non-working households

The analysis of non-working households here has been undertaken specifically for this paper. It is based on the first available wave of the ECHP in each country. All the charts and text are based on the following definitions

- 'Work' is defined as being in employment for at least 16 hours per week. Part-time work (less than 16 hours) is not included.
- A 'household' consists of people who normally live at the same address, and share at least some of their housekeeping arrangements.
- A household is defined as non-working if none of its members – of any age – is working (as defined).
- The analysis counts the number of adults (aged 25-59) who live in such households. These relatively narrow limits are designed to avoid issues relating to education (among under 25s) or retirement (among those aged 60 plus). The range 25-59 is sometimes referred to in the text as 'working age'.

Across the whole EU:

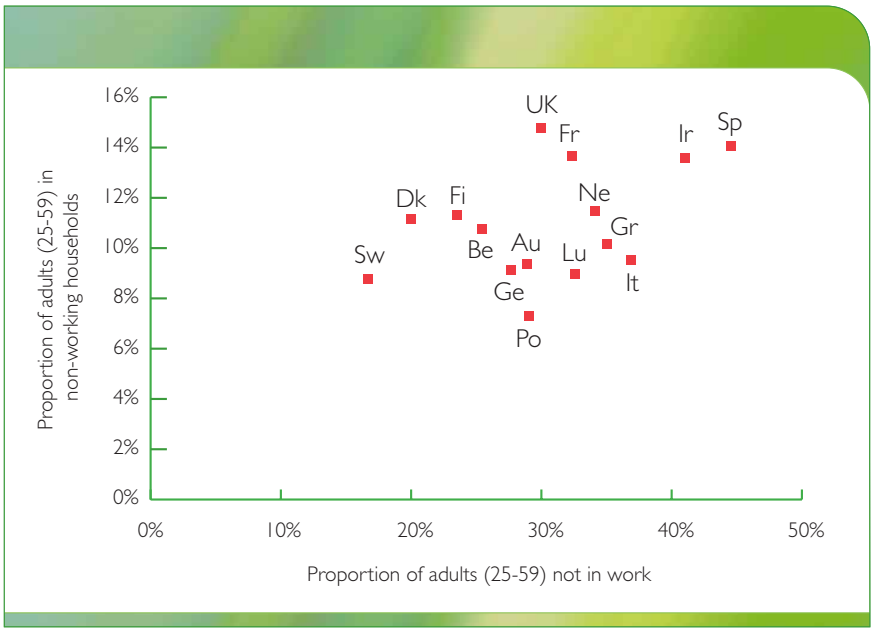
- 32 per cent of adults aged 25-59 are not themselves in work – counting men and women together (see the definitions in Box 3).
- Half of the non-workers (mainly but not exclusively women) are married to someone who is in work. The proportion of people who are in non-working 'families' is 16 per cent.
- About a quarter of those who neither work themselves, nor have a working partner, nevertheless live in a household with a worker. The proportion of adults of working age living in a household where no one works is down to just 11.4 per cent.

People in non-working households have no direct access to any earned income, so they have a high level of dependence on social security benefits. They also have a high risk of poverty – 48 per cent of those in non-working households are poor, compared with only 14 per cent of those in a household with at least one earner[3]. The number of such non-working households is known to have increased substantially since the 1970s (Gregg and Wadsworth, 1996). It is widely agreed that 11 per cent is too high a proportion for people who are in the 'working' age range.

[3] *See page 33 for an analysis of relative poverty.*

It might be expected that the incidence of non-working households would be linked with the overall employment rate, but it turns out that the relationship is not strong (see Chart 14). It is true that the number of non-working households in Spain (where the personal non-employment rate is the highest in Europe) is about five percentage points higher than it is in Sweden (with the lowest personal non-employment rate). But the two countries with the highest and lowest incidence of non-working households are the UK and Portugal respectively – whose personal non-employment rates are almost identical in the middle of the range.

Chart 14: Incidence of non-working households, plotted against the incidence of non-employment among individual adults



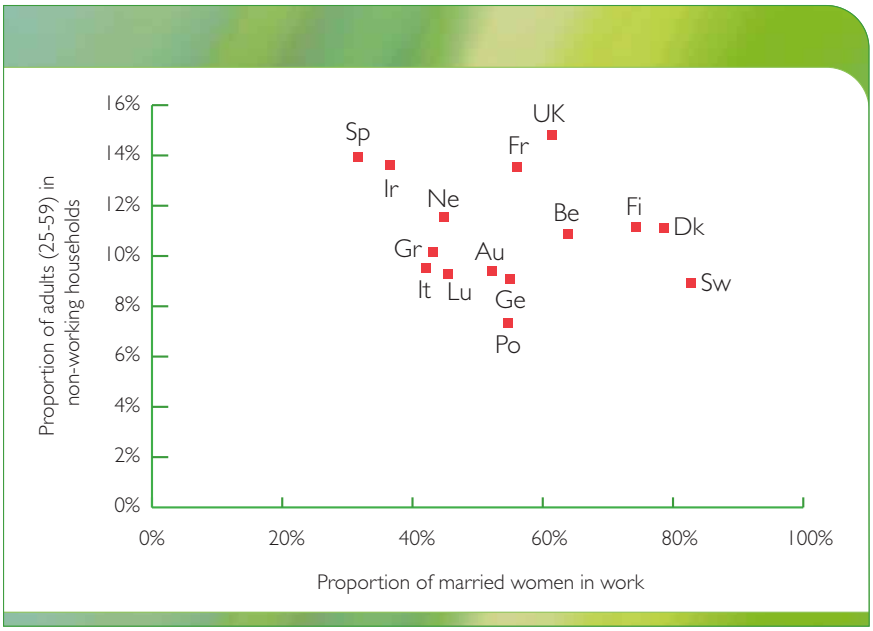
Source: ECHP wave 1, authors' analysis

This clearly leaves the UK in the worst position on this measure, with nearly 15 per cent of its working age adults in non-working households. It is not, though, exceptional in terms of the overall range of variation between countries (see Chart 14).

Since overall employment rates do not seem to be the primary influence on the number of non-employed households in a country, it is not clear what the driving force is. There is no immediately obvious link with the patterns of family formation or of employment already discussed; nor with patterns of prosperity and poverty to be covered in the next section. One hypothesis has been that the rise in the number of adults living on their own has placed them at greater risk (since there is no one else available to provide earnings if they themselves do not work). It is certainly true that *within* any country, people living on their own are much more likely to be in a non-working household than those who live with other adults. But the range of variation *between* countries in the number of single adult households does not contribute much to an explanation of the variation in the number of non-working households.

Another hypothesis, much discussed in the context of the growing number of non-working households in Britain since the 1970s, is that there has been a transfer of the distribution of jobs. It is suggested that the growth over the years in employment among married women (creating two-earner families) has been at the expense of employment among male 'breadwinners' (creating no-earner families). If that trend had occurred over time, we might expect to see it reflected in a comparison between places – that the number of non-working households would be highest in countries where married women had the highest employment rates. Chart 15 plots the two factors. There is absolutely no indication that a high rate of employment among married women is associated with a high incidence of non-employed households. This is an important conclusion (contradicting a widely held view), though the range of variation in the number of non-working households between countries remains unexplained.

Chart 15: Proportion of adults living in non-working households, by proportion of married women in work



Source: ECHP wave 1, authors' analysis

Diverse incomes

Diverse incomes

A family's income is a key measure of their well-being – not just as a resource enabling them to consume goods and services, but also as an indicator of their social position and political power.

Income is in principle open to precise measurement in clearly defined units, and there are established methods for making income comparisons between currencies. On the other hand, income is very difficult to measure accurately in practice, because of the wide range of its components – earnings, benefits, pensions, profits, income-in-kind and so on (Canberra Group, 2001).

International comparisons are usually based on the national accounts, which add up the components of income for each country as a whole. On a global scale, it is comparisons such as GDP per head that enable us to know, for example, how much richer northern and western countries are than southern and eastern ones. The national accounts provide no information about the range of incomes between households *within* countries, so it is impossible to assess the importance of country effects in the overall distribution of income, or to identify poor households. But many countries have undertaken substantial household income surveys, and the collation of broadly comparable data sets by the Luxembourg Income Study has been one of the major developments in comparative research in recent years (www.lisproject.org). Meanwhile, the ECHP provides household income data for the whole EU.

National variations in GDP

The left-hand panel of Chart 16, based on the national accounts, shows that most EU countries have broadly similar levels of income, with GDPs ranging from €22,000 per head in France to €27,000 in Denmark. (The comparison is based on 'purchasing power standards', which take account of the cost of living in each country as well as formal exchange rates.) One exception is Luxembourg, with a hugely higher average income than any other EU member, though it is difficult to make sense of the figures for such a small country. At the other end of the scale, Spain, Portugal and Greece all have national incomes significantly lower than other EU members.

Chart 16: Income of EU members and candidate countries, as estimated by national accounts (GDP per head in thousands of € pps per year)

Source: Eurostat Yearbook 2002

If there is only a moderate range of inequality of incomes between EU members, that will change dramatically when the current candidates for membership actually join over the next few years. It has been estimated that although the EU population will rise by 25 per cent, total GDP will rise by only 5 per cent. The right-hand panel of Chart 16 also shows the national averages of the candidate countries (drawn to the same scale), to illustrate how very much poorer they are than the current members.

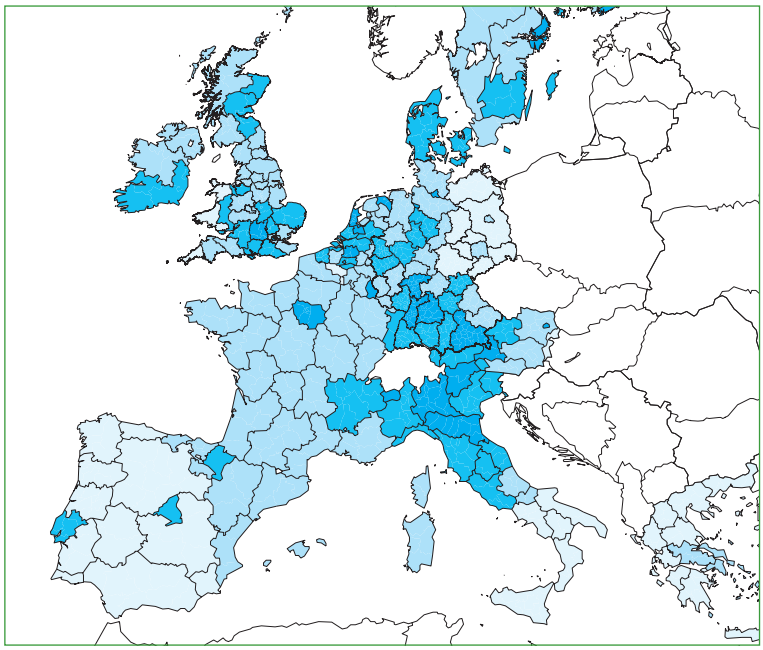
Only two of the ten countries on track to join in 2004 are rather better off than Greece; the poorest has only a half the income of Greece. The three other countries seeking membership are even poorer, at under half of Greece's GDP per head.

Regional variations in income

Much of the discussion of comparative analysis earlier in this paper was concerned with the role of 'country' as a potential explanation for variations in people's experiences across Europe. An alternative view is that 'country' is not the best way of summarising geographical variation[4]. The dark colours in Chart 17 indicate prosperity: there is a band of high regional incomes running from northern Italy, through Austria, Germany and Benelux up to south east England. High-income areas also appear in Scandinavia, and in other particular hotspots, often containing capital cities.

At the opposite end of the scale, poor areas are found, as we would expect from the national statistics, in Greece and Portugal (excluding greater Lisbon). But southern and eastern Spain (excluding greater Madrid) and southern Italy are just as poor as their two southern neighbours. So too is eastern Germany, though this can be interpreted as a consequence of political change. But the regional map suggests that the economic boundaries of southern Europe should be drawn to include Greece and Portugal, two-thirds of Spain and one-third of Italy. The unclear position of Spain and Italy in country-level analyses could be explained by the fact that each of them is, in a sense, 'two nations'[5].

Chart 17: Regional variations in GDP per head (purchasing power standards, 2000)



Source: Eurostat, Luxembourg; dark colours represent high GDP per head

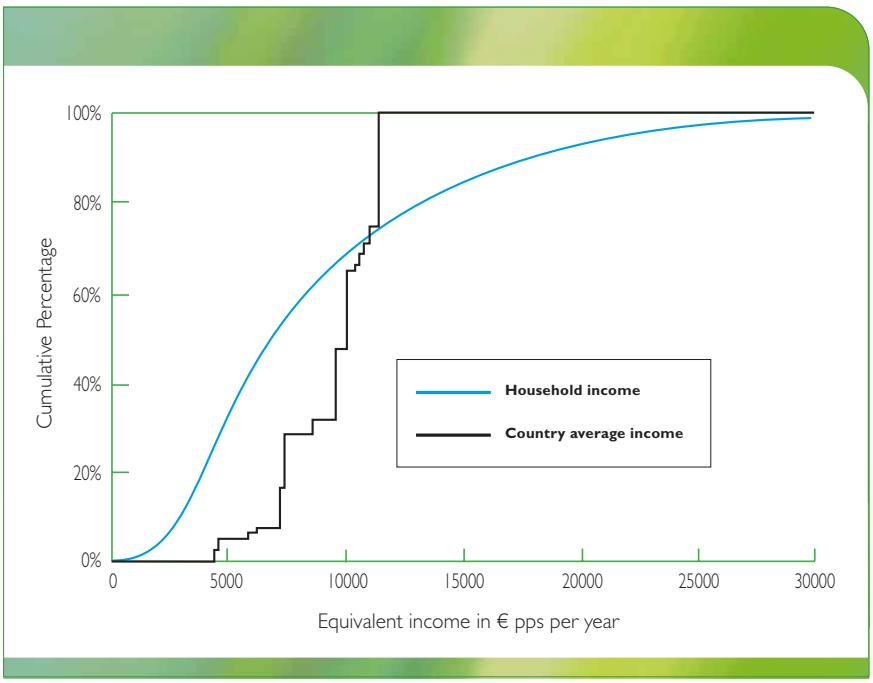
[4] *It has been shown that analysis of regional variations is sensitive to the delineation of regional boundaries (Cheshire et al, 1996). This is likely to be especially true when comparing regional variations in large countries with small countries, because the whole of a small country may have about the same population as a 'region' in a large country.*

[5] *For the benefit of readers unfamiliar with the history of Victorian Britain, the phrase 'two nations' was popularised by the 19th century prime minister Benjamin Disraeli, who was referring to the gap between the upper and lower classes.*

Income inequality between households

Governments may see improving national income as a primary object of economic policy, but the aggregate figure is a poor indicator of the level of prosperity of individual citizens. Chart 18 shows a very wide range of household positions across the EU, from a 'net equivalent income'[6] of just €300 a year up to €30,000 a year and upwards (adjusted, again, for purchasing power). Even within the limited range plotted on the chart, the ratio between the incomes of the richest and the poorest households is 100 to one. The jerky black line on the chart shows what the distribution of household income would be if every household were assumed to have the average income of the country they lived in. The range is, of course, much narrower – excluding the very small population of Luxembourg, the ratio of the average income of the best-off and worst-off countries is €11,400 to €4,400, about 2 1/2 to one. Thus the 'country effect' is relatively unimportant. Analysis of variance shows that inequality *between* countries accounts for only 7 per cent of overall inequality in household incomes in the EU – leaving the other 93 per cent as inequality between households *within* countries.

Chart 18: Cumulative distributions of equivalent household incomes, and of national average equivalent incomes, across the EU



Source: ECHP wave 1, authors' analysis

[6] *Total net household income is divided by a factor based on the number and ages of the household members to produce a measure of income in relation to needs that is conceptually similar to income per person. The measure is known as 'equivalent income'. Note that average net household incomes are lower than average GDP, because a proportion of the domestic product accrues to firms and public bodies.*

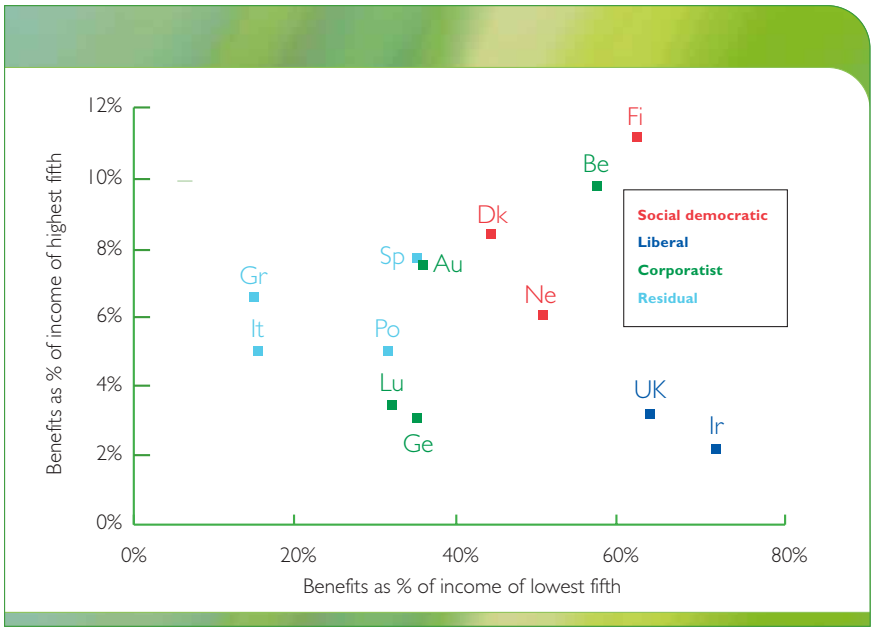
Benefit incomes

In all countries, earnings represent much the largest proportion of household income, and this is especially true of households in the upper income ranges. Social security benefits contribute a small proportion of the income of better-off households, but represent a much larger proportion of the resources available to worse-off households (Maître et al, 2002). While this is true in all countries, the role of state benefits varies widely between countries, depending on the underlying political approach associated with their welfare regimes (Esping-Andersen, 1990; and Ferarra, 1996). Chart 19 shows that:

- In Ireland and the UK, the two countries said to have 'liberal' regimes, benefits account for an exceptionally high proportion of the incomes of households in the bottom fifth of the income distribution (below the lowest quintile). But they account for an exceptionally low proportion of the income available to households in the top fifth of the distribution. This is a highly 'efficient' allocation of benefits according to the criterion of selectivity associated with the liberal approach.
- Finland, Denmark and the Netherlands, said to have 'social democratic' regimes, contribute a fairly high proportion of income to poorer households through benefits, but also pay rather higher levels of benefit to better-off households than other countries do. This is consistent with their 'universalist' criterion.
- The four countries with 'residual' regimes contribute much lower proportions of benefit income to poorer households. This is consistent with the much more limited role of the state in ensuring income maintenance.
- The remaining four 'corporatist' countries are not well characterised by this analysis.

Nevertheless, Chart 19 shows the value of Esping-Andersen's theoretical approach to welfare regimes, at least when the activities of the welfare state are the direct subject of analysis.

Chart 19: Contribution of social security benefits to household incomes, by regime type



Source: ECHP 1996, derived from Maître et al (2002)

The incidence and persistence of poverty

The other advantage of data about households within each country (rather than the average income of the whole country) is that we can measure the incidence and persistence of poverty. This is now conventionally defined as having a household income below 60 per cent of the median for the country concerned. Note that it is a purely relative measure – the poverty line is defined solely on the basis of each country's own income distribution, and households are effectively being compared with other families in the same country.

Chart 20 shows the proportion of households calculated to be poor on that basis. The league table runs from Denmark, where only 9 per cent of households are poor, to Greece, where the proportion is 23 per cent. There is a general trend running from low poverty rates in the north to high rates in the south, with Ireland and the UK the exceptions: their poverty rates are much closer to those observed in the southern group of countries than to their northern neighbours. This may be related to the 'liberal' welfare regimes observed in Chart 19: Ireland and the UK's social security systems may be 'efficient' (in limiting benefits only to the lowest income bands) but they may not be 'effective' (in delivering enough benefits to allow claimants to escape from poverty).

Chart 20: Proportion of households in national relative poverty (income below 60% of the national median)

Source: ECHP 1996, from Eurostat Yearbook 2002

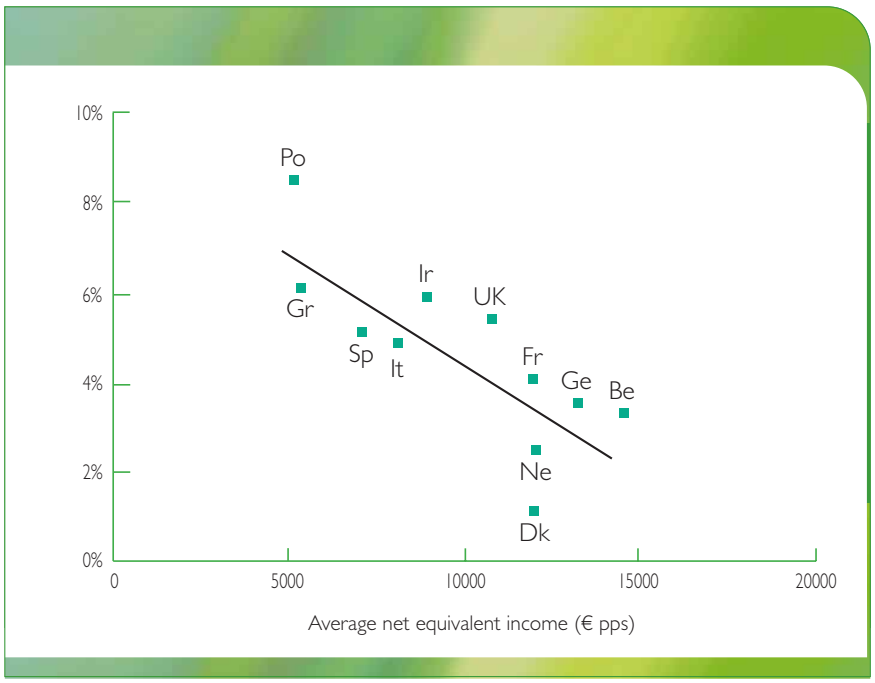
Defining people as 'poor' on the basis of a single year's income may impose too crude a dividing line. It is often argued that a brief period on a low income might not be too harmful. Using data about the same people over a sequence of years allows us either to calculate 'permanent income' – that is, an average over the period (Muffels et al, 1999) – or to count the number of years respondents were poor over the period (Jenkins, 2000). A simple device defines 'persistent poverty' as being poor for two consecutive years (Layte et al, 2000).

Another issue is the extent to which low income necessarily coincides with a low standard of living, as measured by deprivation indicators (Layte et al, 2000). 'Consistent poverty' has been defined as having an income below the poverty line at the same time as experiencing relative deprivation. Note that relative deprivation has, like relative poverty, been defined purely in terms of the distribution of deprivation scores within the country where the household lives.

The position of Denmark as the country where there is least poverty, and Greece as the country where there is most, may suggest that the extent of relative poverty is directly related to the average income of the whole country (compare Chart 20 with Chart 16). This is not *necessarily* the case in logic, because the relative definition of poverty, calibrating the poverty line from within each country's income distribution, could in theory have yielded identical poverty rates in countries with widely varying GDPs. But in practice, there is such a relationship, especially if the issues of persistence and consistency are taken into account.

Chart 21 plots the estimated incidence of 'persistent consistent poverty' against the average income of each country (derived from the household data). There is a very clear trend, with poor countries having much higher persistent consistent poverty rates than rich countries.

Chart 21: Estimated incidence of persistent consistent poverty, by average household income



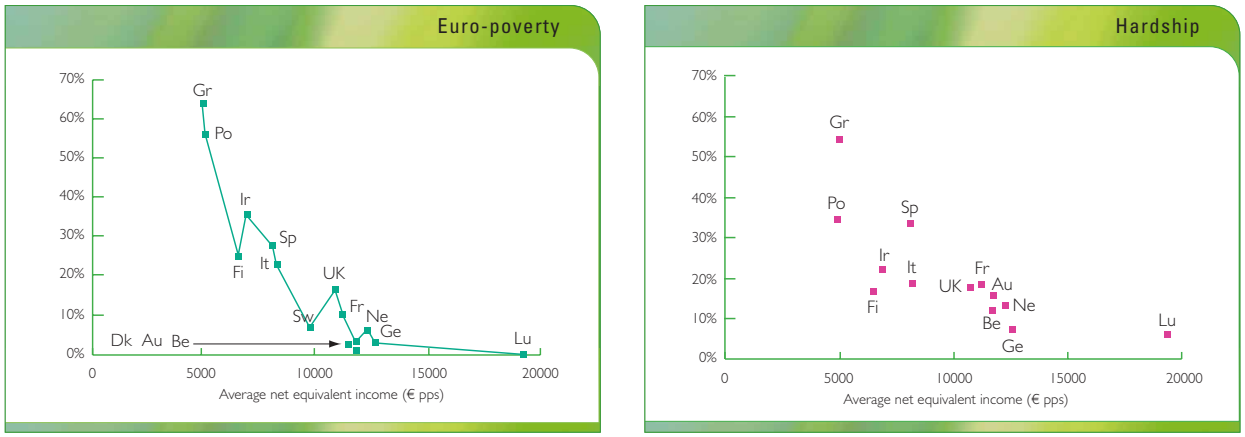
Source ECHP 1996, derived from Eurostat Yearbook 2002 and Layte et al (2000)

Remember that this identification of a relationship between national average income and the persistent consistent poverty rate has been based entirely on relative definitions of poverty and deprivation. The analysis strongly suggests that even *relative* poverty is more common in countries that are *absolutely* poor. This implies that inequality between households is wider in countries with low average levels of income. So the variation between countries in the incomes of households at the foot of the income scale must be wider than the variations between countries at the top of the scale.

Euro-poverty

Milanovic (2002) has argued that the world should be considered to have a single global distribution of income, with a common poverty line (based on living standards) applied in every country. The same approach can be considered in Europe. National poverty is defined as an income below 60 per cent of the national median; so what happens if 'Euro-poverty' is defined as below 60 per cent of the EU median? This time, logic dictates that there would be far more Euro-poverty in the low-income countries such as Greece and Portugal than in the more highly developed economies to the north. And so it proves: the Euro-poverty rates plotted in the first panel of Chart 22 show a steady fall in poverty with rising national income. Around 60 per cent of households are poor (against the European yardstick) in Greece and Portugal. The proportion in Luxembourg is effectively zero. There are just two significant exceptions to the steady downwards slope of the chart – where Ireland and the UK (with their highly selective social security systems) record higher poverty rates than their overall national income would lead us to expect.

Chart 22: Proportion of households that are a) below the common European poverty line (left-hand panel) or b) in financial hardship (right-hand panel), by country's average income



Source: ECHP wave 1, authors' analysis

Does this measure of poverty in a European context make any sense? If poverty is defined as a relative concept – a scarcity of resources that prevents people from taking part in the normal life of their community (Townsend, 1979) – then should the reference point not be defined from within that community? Part of the issue is: how wide should the boundaries of 'community' be drawn? From the perspective of the EU, a Europe-wide poverty line makes just as much sense as a series of national poverty lines.

The idea of a common European reference point gains some support from within the data from which this analysis is drawn. Poverty lines *within* countries are often based on an analysis of the relationship between low income and indicators of 'deprivation' and of 'financial hardship' (Gordon et al, 2001). What happens if these indicators are compared *between* countries?

The right-hand panel of Chart 22 plots the proportion of households in each country that are in financial hardship, defined as reporting that they find it 'extremely' or 'very' difficult to make ends meet, and that they do not have enough money left over at the end of the week or month to save. Note that neither of these questions contains any reference to the availability of goods and services (which might be expected to be related rather directly to national incomes); the concept of financial hardship can be seen as relative to the income expectations accepted within a community. The right-hand panel of Chart 22 clearly shows that the proportion of households in financial hardship varies between countries with low and high average incomes along lines extremely similar to the proportion of households in Euro-poverty. This parallel provides strong empirical support for interpreting poverty in the context of a Europe-wide income distribution.

Charts 21 and 22 show that both national poverty and Euro-poverty rates vary between countries in a pattern that supports the (not unsurprising!) view that poor people are more likely to be found in poor countries. National poverty rates remain the key indicator for national policies, but the Europe-wide perspective has important implications for EU policy. The issue will become more pressing as the EU is enlarged. As Chart 16 shows, most of the candidate countries have lower levels of GDP than any current EU members, and it is difficult to avoid the conclusion that the range of inequality between households in Europe, and the extent of Euro-poverty, will grow too.

Conclusions

Conclusions

There are wide and systematic variations across Europe in the way people live.

In the sphere of the family, the southern group of EU countries – Portugal, Spain, Italy and Greece – plus their fellow Catholic country, Ireland, are characterised by large households where sons and daughters live with their parents well into their 20s and tend to leave home to marry rather than to live as singles or for informal cohabitation. In the Scandinavian group – Finland, Sweden and Denmark – plus their fellow social democratic country, the Netherlands, young people leave home much earlier, and formal marriage is much less the norm.

In the sphere of employment, perhaps the most striking finding concerns the economic activities of women. In Scandinavia, two-thirds of women have full-time jobs. In most of the southern countries, full-time employment rates are as low as 40 per cent for women without children and 30 per cent for mothers. The startling exceptions to this pattern are Portugal and the Netherlands, where female employment rates are the opposite of what one might expect from their geographical positions. An important new finding is that the number of married women in employment in each country does not seem to be correlated with the number of workless households. This leads us to question the widely held view that the increase in women's employment has taken jobs away from men.

In the sphere of incomes, Greece, Portugal, a substantial swathe of south and western Spain and the southern section of Italy are significantly worse-off than the rest of Europe. Eastern Germany is another economically weak area. But income inequality between households *within* countries is much wider than income variation *between* countries. It turns out that even *relative* poverty is much more persistent and consistent in countries where the average income is low. Variations in financial hardship also suggest that there is a case for re-defining Euro-poverty in relation to absolute measures of purchasing power. More than half of Greek and Portuguese households would be counted as 'poor' on that measure.

This diversity across Europe helps to illustrate our starting point – that comparative research is… well… interesting!
But it also illustrates the usefulness of cross-country comparisons:

- For policymakers at the EU level, who have to take account of the range of behaviour and economic inequality across current member countries.
- For policymakers concerned with the proposed enlargement, which will introduce a much wider range of social variation and economic inequality within the EU.
- For national policymakers, whose common assumption that their own country is in some sense 'normal' needs to be challenged.
- For academic analysts of social and economic processes, whose theories and interpretations cannot be generalised until they have explained how and why differences between countries have occurred.

Our brief statistical tour of Europe poses as many questions as it answers, and demonstrates some of the analytical difficulties associated with comparative research. We have illustrated the difficulty of identifying meaningful patterns linking the experiences of different countries. Regional, religious and political categorisations sometimes help. Correlating the outcome measure under consideration with potential explanatory variables is also useful, though the fact that there are never more than 15 observations in such an analysis limits the scope for this approach.

Clearly, much more detailed investigations of the reasons behind the differences we observe are required, and micro-qualitative studies of policies and processes play a key role in developing our understanding. Nevertheless, we have argued that neither the micro-qualitative nor the macro-quantitative approaches are adequate on their own. By far the most encouraging opportunities for studying within-country and between-country variations are provided by the new availability of comparable individual-level data about households within countries, particularly where the data have a longitudinal as well as a cross-sectional aspect.
We believe that the 'micro-quantitative' approach that has become possible, combined with other approaches as necessary, forms the most promising and exciting avenue for new developments in comparative research on the lives of European citizens.

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