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Rich Cities, Poor Countryside?

Social Structure of the Poor and Poverty Risks in Urban and Rural Parts of Switzerland

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Introduction: Economic change does amplify inequalities between urban and rural parts

- ▶ Social change and technological progress increase urban-rural inequality and disparities (Katz and Margo, 2014);(Eckert, Ganapi, Walsh, 2020).
- ▶ Spatial dimension of poverty not well studied so far. Not least due to a lack of data (Copus et al., 2015).
- ▶ In Switzerland today, national poverty indicators are available for regions, but not for cantons and municipalities.
- ▶ **Research Questions:**
 1. Are people living in cities or the countryside more at risk of becoming poor?
 2. Are different social groups poor in cities versus the countryside?
 3. How important is the opportunity structure with respect to the risk of being poor?

Using tax data for poverty studies

- ▶ Data for a large canton in Switzerland. Bern is the 2nd largest canton in Switzerland (1 million inhabitants), and has an interesting mix of urban and rural parts, representing the situation in Switzerland quite well.
- ▶ Rich dataset from the SNF project Inequality, Poverty Risks and the Welfare State consisting of a linkage of individual tax data with other register and survey data. It has several advantages among the most important for our purpose that individuals are linked to municipalities

- ▶ **Financial approach** to measure poverty. As we have extensive information on social transfers we are able to measure post transfer poverty
 - ▶ With an extensive data-based means-testing procedure accounting for different needs according to the household composition and living-region we assess **income poverty** (absolute poverty approach).
 - ▶ **asset-based poverty measure** (Brandolini, Magri, and Smeeding, 2010; UN, 2017) that accounts for financial reserves to cover the poverty-gap for 12 months

- ▶ **Analytical strategy:** we implement a combination of deductive (pre-selection of relevant risk factors based on literature) and inductive (data-based risk assessment) strategy.
- ▶ **Methods**
 1. Analysis of the social structure of the poor in urban and rural areas.
 2. Random forest based variable importance assessment. Advantage of accounting for non-linear relationships and interactions between micro and meso level variables without the need to specify them (Molina and Garip, 2019; Athey and Imbens, 2017).

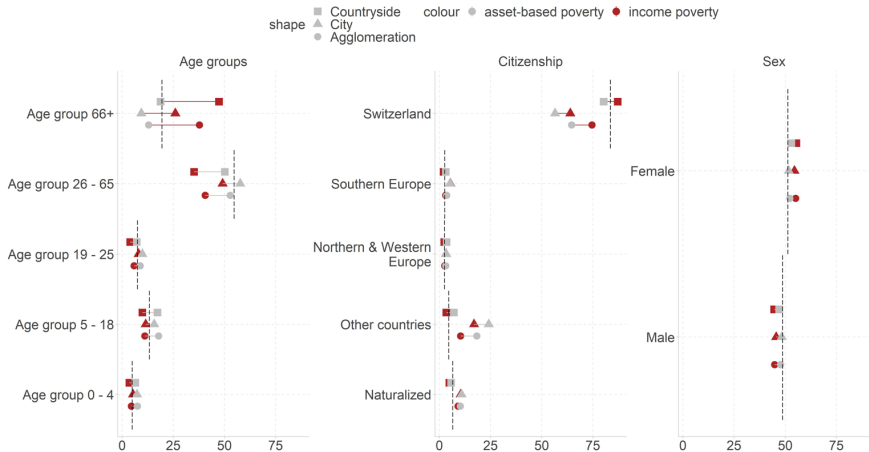
Data: Poverty risk factors and the opportunity structure

Social Groups	Social Situation		Opportunity structure	
	Indicator name	Description	Indicator name	Description
Age groups	Civil state		Density of workplaces	<i>Workplaces by population</i>
Citizenship	Education	<i>Highest completed education.</i>	Economic Sector of Workplaces	<i>Dominant activity in primary, secondary or tertiary sector</i>
Sex	Employment status hh	<i>Dependent or independently working, non-working or retired.</i>	Employees by economic sector	<i>Dominant activity in primary, secondary or tertiary sector</i>
	Health status	<i>Degree of disability according to social insurance agencies.</i>	Language	<i>Dominant language spoken</i>
	Household size		Mountain area	
	Household type		Percentage of unemployed	
	Number of employed hh members		Political leaning	<i>Share of votes for social party minus share of votes for popular party.</i>
	Sector of occupation		Population share of employed	
			Urbanity	<i>Cities, Agglomerations and Municipalities on the countryside</i>

Results: Poverty rates in cities and the countryside

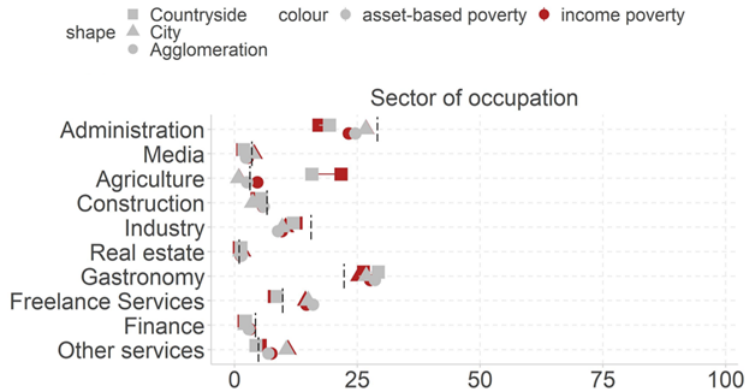


Results: The social structure of poverty differs in urban and rural areas

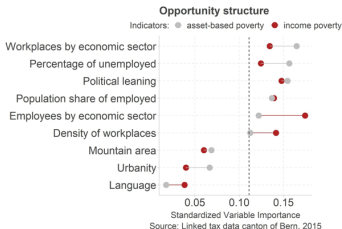
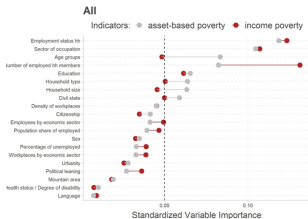


Source: Linked tax data canton of Bern, 2015

Results: Sector of occupation matters



Results: What about the opportunity structure?



Summary & Conclusion

- ▶ Is the rural population disconnected? Is there more poverty in the countryside? No. Poverty is more common in cities. There are spatial differences:
 - ▶ **Countryside:** Retired and farmers more common.
 - ▶ **City:** People in unstable employment relationships such as free-lancers, cultural workers, personal service workers (domestic help, hairdressers, etc.), foreign people with a migration background from outside of Europe.
- ▶ Machine-learning based risk-factor assessment suggests that the immediate social situation, such as not having access to gainful employment and the sector of occupation, are the most dominant factors predicting poverty. Characteristics of the opportunity structure have comparatively lower predictive power.

Thank you for your attention!
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