

“Over-indebted Households and Poverty”

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Abstract

Household over-indebtedness has become one of the most crucial social problems of the current economic crisis in Greece. Unemployment and wage cuts have left many households with insufficient income to meet essential living expenses and debt repayments as they fall due. These external factors are largely beyond the power of the individual to control and are found by most of the relative literature as the main causes of personal over-indebtedness. Other factors are health problems and divorce or separation.

In this paper we use data collected from a sample of cases of bankrupt filers whose cases have been judged by the Greek courts throughout the country. This data cover the first wave of Greek bankrupt debtors since the personal bankruptcy law went into effect in January 2011. The data collected emphasize the financial condition of the debtors: debts, assets, and income as well as some demographics.

The data revealed the social and economic profile of the bankrupt debtors who filed during 2011-2012. As expected we find that the majority of people who filed for bankruptcy are people, who lost their job during the crisis, suffered a significant drop in their wage or pension, had health problems, especially the pensioners, and raise children. The data permitted us to compare the characteristics of debtors with those of the general population. Finally, we examined where the debtors stand with regard to the poverty line.