Poverty, the Social Safety Net and the Great Recession
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Summary

• Great Recession (GR) → unemployment, by group
  – stronger effect on black males, low-skilled, youth

• the safety net in the US
  1. 1996 reform from ‘out-of-work’ to ‘in-work’ assistance
     • incentives to labor market participation and employment during expansionary periods
     • holes during recessions?
  2. policy adjustments during GR: extended unemployment benefits, food stamps

• the GR compared to previous recessions
  – stronger increase in extreme poverty (because of 1.)
  – weaker increase in poverty (because of 2.)
Outline of discussion

• GR → unemployment
  – the evidence from the US: age or education effects?
  – comparison US vs. Italy/Europe

• GR → poverty in Italy and Europe
  – differential effects by age and education

• the safety net across countries
  – the «holes» in (some) European countries: dualism and the generation gap
GR $\rightarrow$ unemployment

age effects in the US

Effect of Area Unemployment Rate Across Ages

A 1 percentage point increase in the overall unemployment rate leads to an almost 3 percentage point increase for 16 year olds.

Age or education effects?
GR → unemployment
age effects in Italy vs. US

Notes: data from harmonized OECD-LFS, methodology as in Hoynes et al. (2012)
GR $\rightarrow$ unemployment on unemployment age effects across countries

Notes: data from harmonized OECD-LFS, methodology as in Hoynes et al. (2012)
Unemployment rates
cross country evidence, 2001-2013

Notes: data from harmonized OECD-LFS
The safety net in OECD countries before GR (2005)

Notes: data from OECD Social Expenditure Database (SOCX)
The safety net in OECD countries during GR (change 2005-2009)

Change in Social Expenditure in OECD countries (% GDP), period 2005-2009

Notes: data from OECD Social Expenditure Database (SOCX)
The safety net, age profile
year 2012

Notes: EU-SILC microdata
The safety net, age profile
change 2005-2012

Notes: EU-SILC microdata
GR → absolute poverty
the Italian case

Absolute poverty in Italy, by age of the head of household

Notes: official (absolute) poverty rate, as computed by the Italian National Statistical Institute (ISTAT)
GR → poverty (unmet needs)
cross country evidence, 2005-2012

Notes: EU-SIL microdata, % people unable to afford a complete meal every second day and/or unexpected expenses (=1 in 2007)
Conclusions

• dualism → systematic holes in the safety net of many European countries
  – combined effect of lower employment protection and lesser access to social benefits

• scars of GR on younger generations?
  – health?
  – family formation?
  – fertility?