
As long as there is not another Great Recession.....

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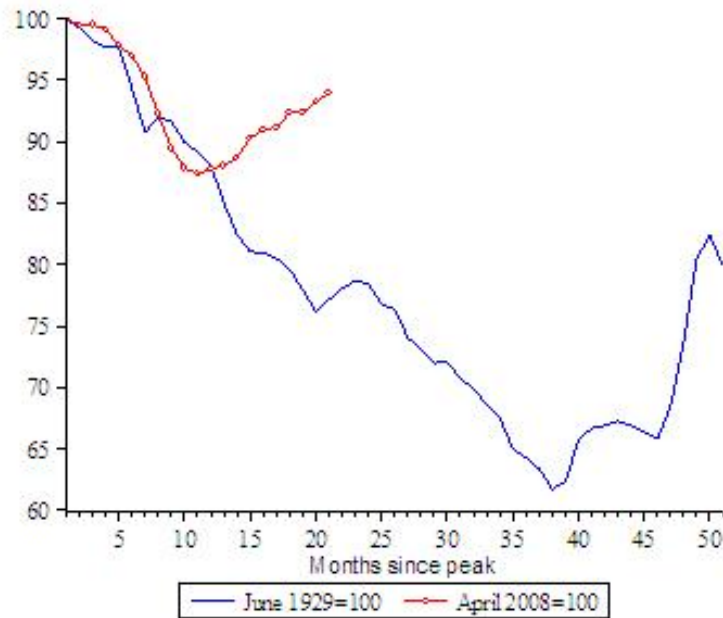
XIII European Conference fRDB: "Income across the Great Recession"

Palermo, 10th september 2011

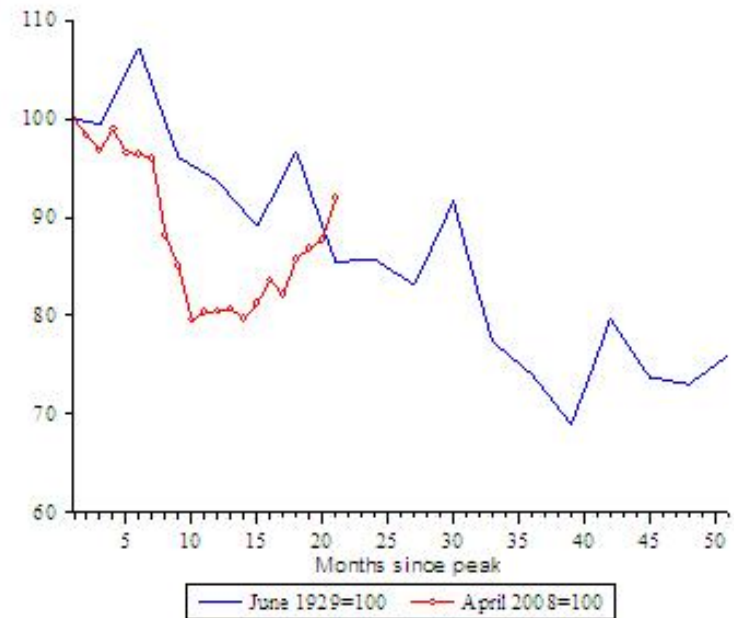
Great Depression and Great Recession

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World Industrial Output



World Trade



Source: Eichengreen and O'Rourke



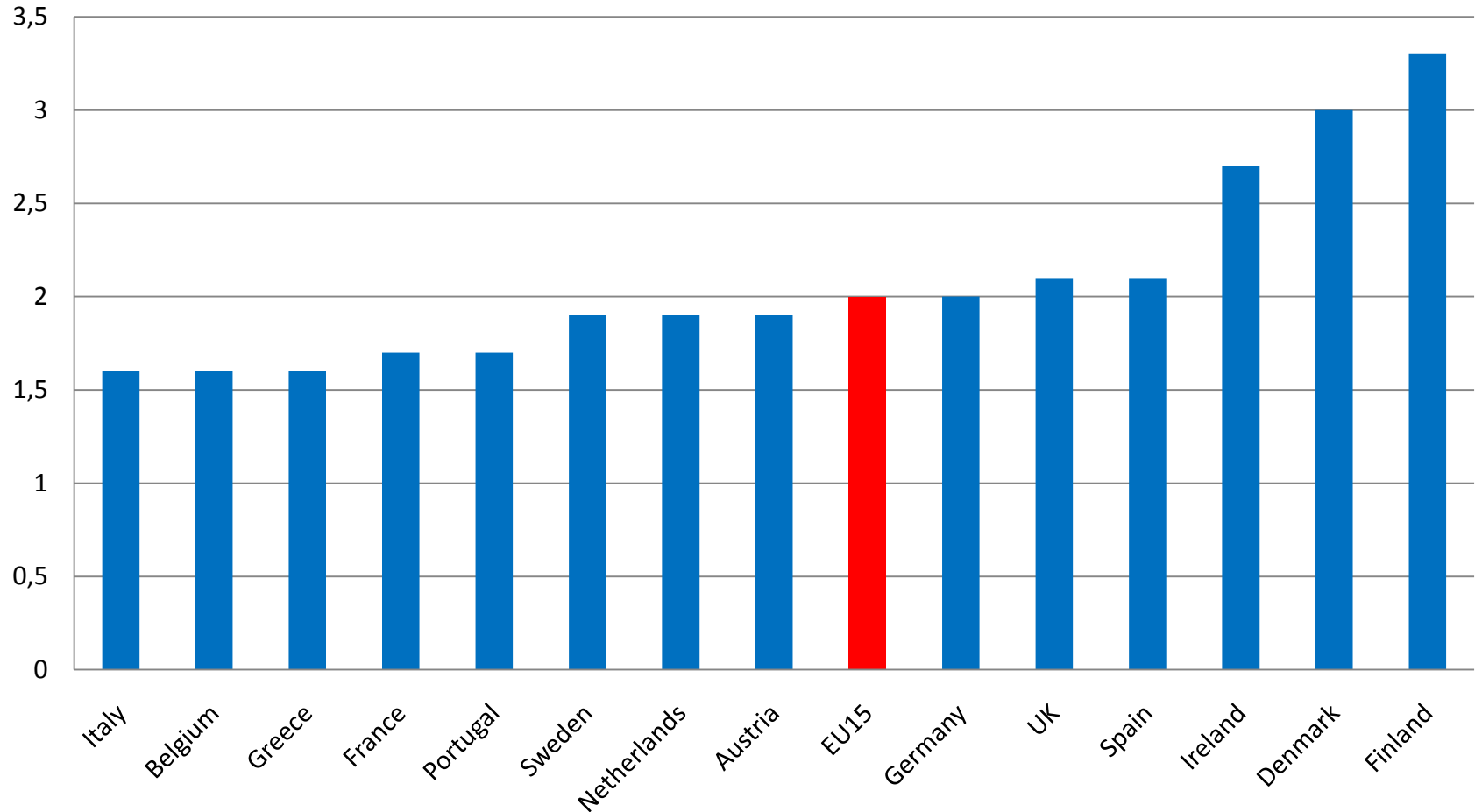
September 10th, 2011

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Great Recession and Social Protection

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% points of GDP increase of social protection expenditure 2008-2009



Source: Eurostat, 2011

Discretionary vs automatic measures

Change with respect to pre-crisis year 2007 in percent of GDP

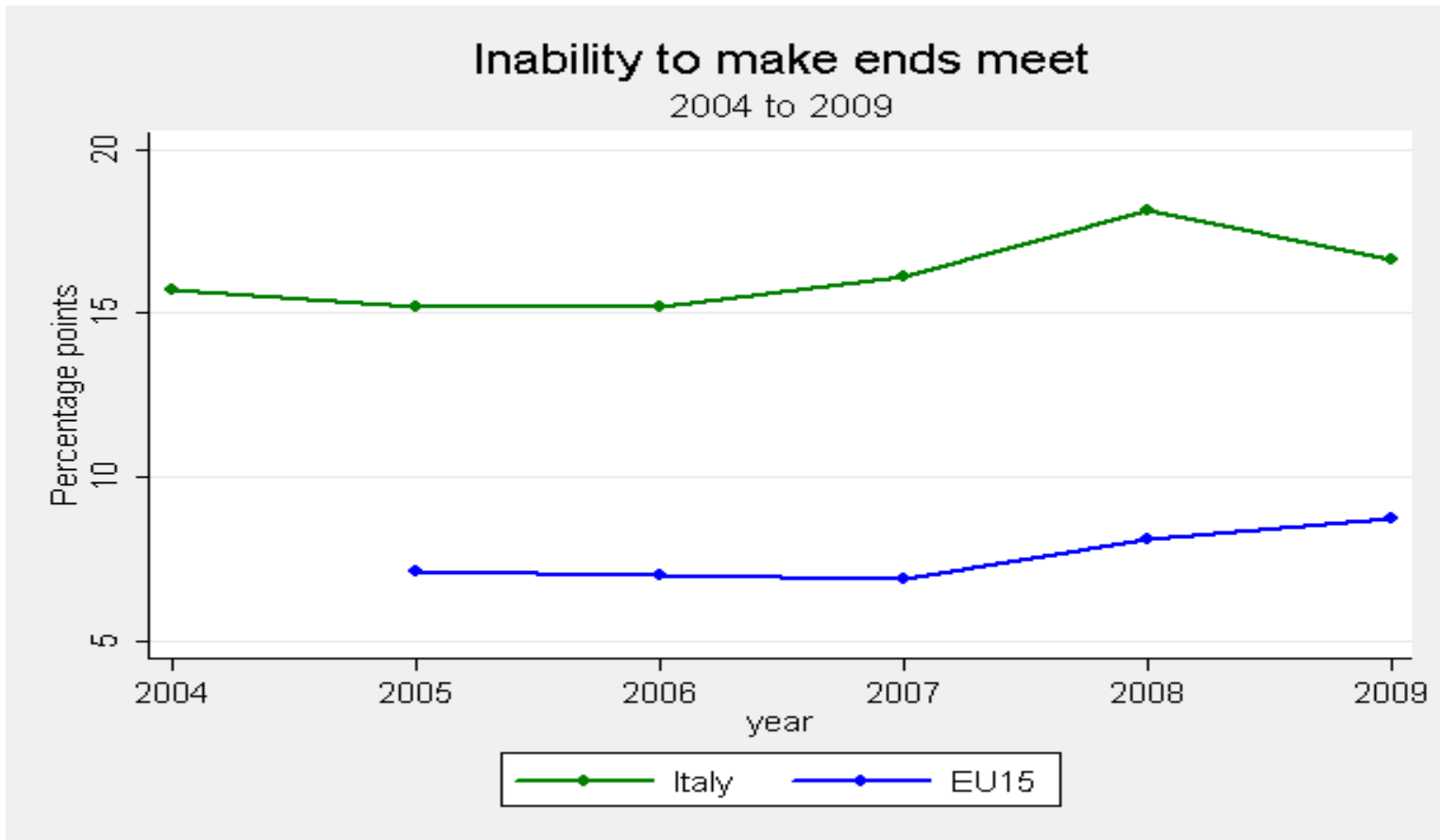
	Overall Balance in 2009	of which	
		Crisis- related Discretionary Measures	Other factors (including automatic stabilizers)
US	-5,6	-2	-3,6
Japan	-7,8	-2,4	-5,4
China	-5,2	-3,1	-2,1
Canada	-5,7	-1,9	-3,8
France	-4,7	-0,7	-4,0
Germany	-4,1	-1,6	-2,5
Italy	-4,4	-0,2	-4,2
UK	-8,9	-1,6	-7,4
Advanced countries	-5,9	-1,9	-4

Source: IMF, WEO various issues

Key Issues Report 1

- **Cross-country approach**
- Taking into account of the size (and the nature) of the macroeconomic shocks, was the response of income inequality and poverty during the GR different in the different countries?
- Are these differences associated with the size (and composition) of social policies?
- Is social policy effective in stabilizing the income distribution under large macroeconomic shocks?

The case of Italy

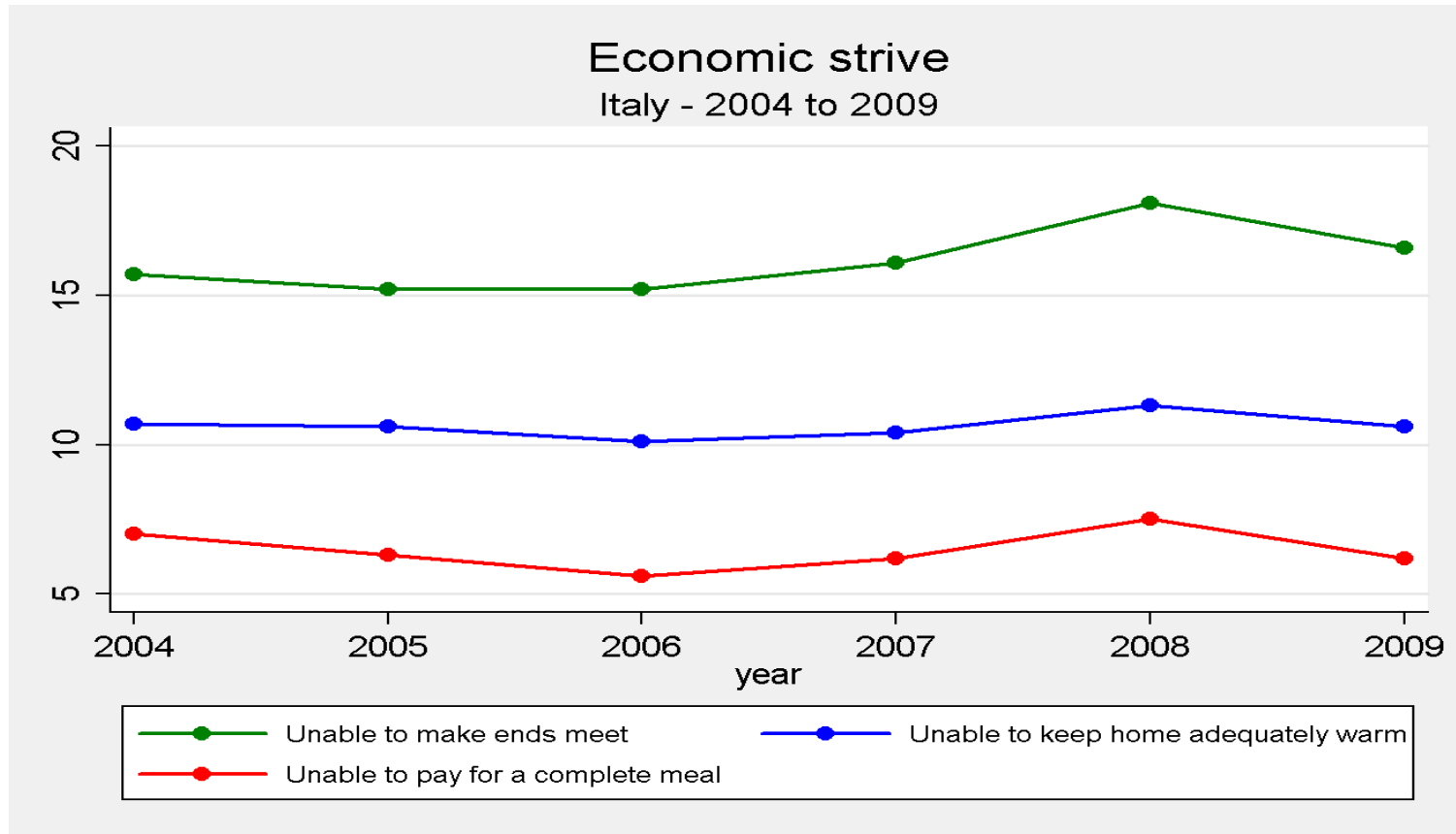


Source: EUSILC 2004-2009

Alternative measures of perceived hardship

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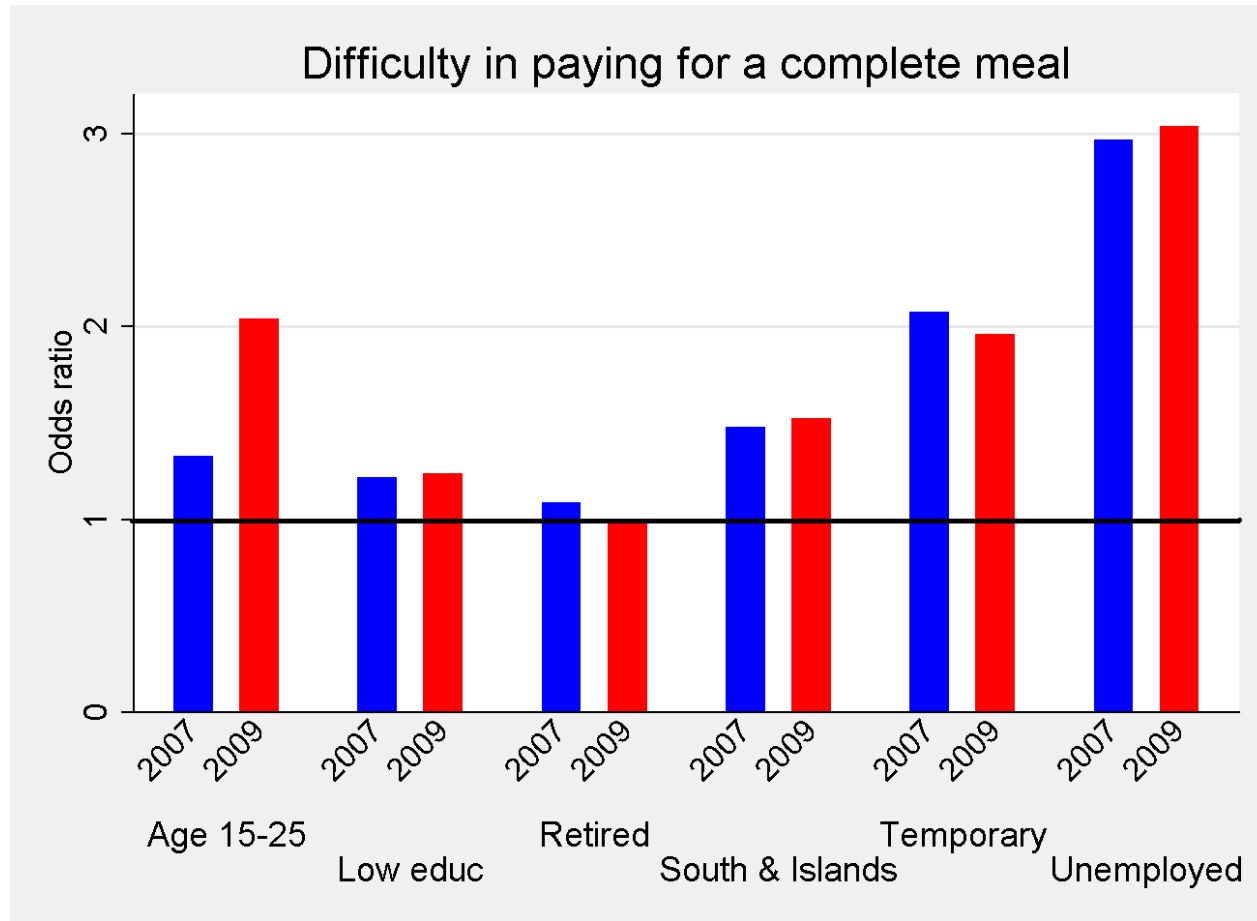
% of respondents having great difficulty to satisfy basic needs



Source: EUSILC 2004-2009

Relative Positions

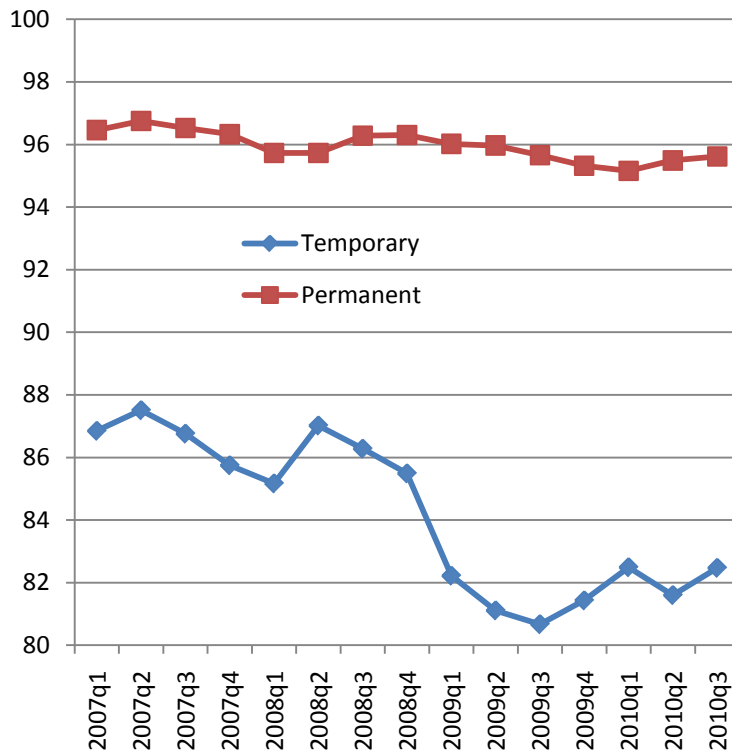
Values greater than one indicate concentration of risk on that category



Source: EUSILC 2007-2009

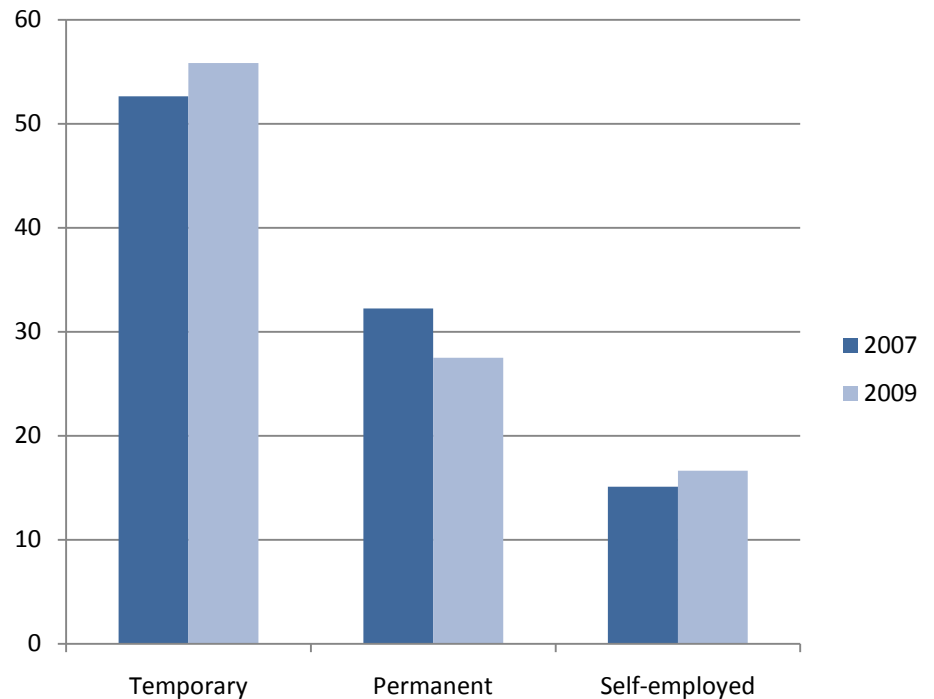
More Contractual Dualism

% of employed people, by contractual arrangement one year before



Source: ISTAT Labour Force Survey

Workers who found a job in the last month by type of contract



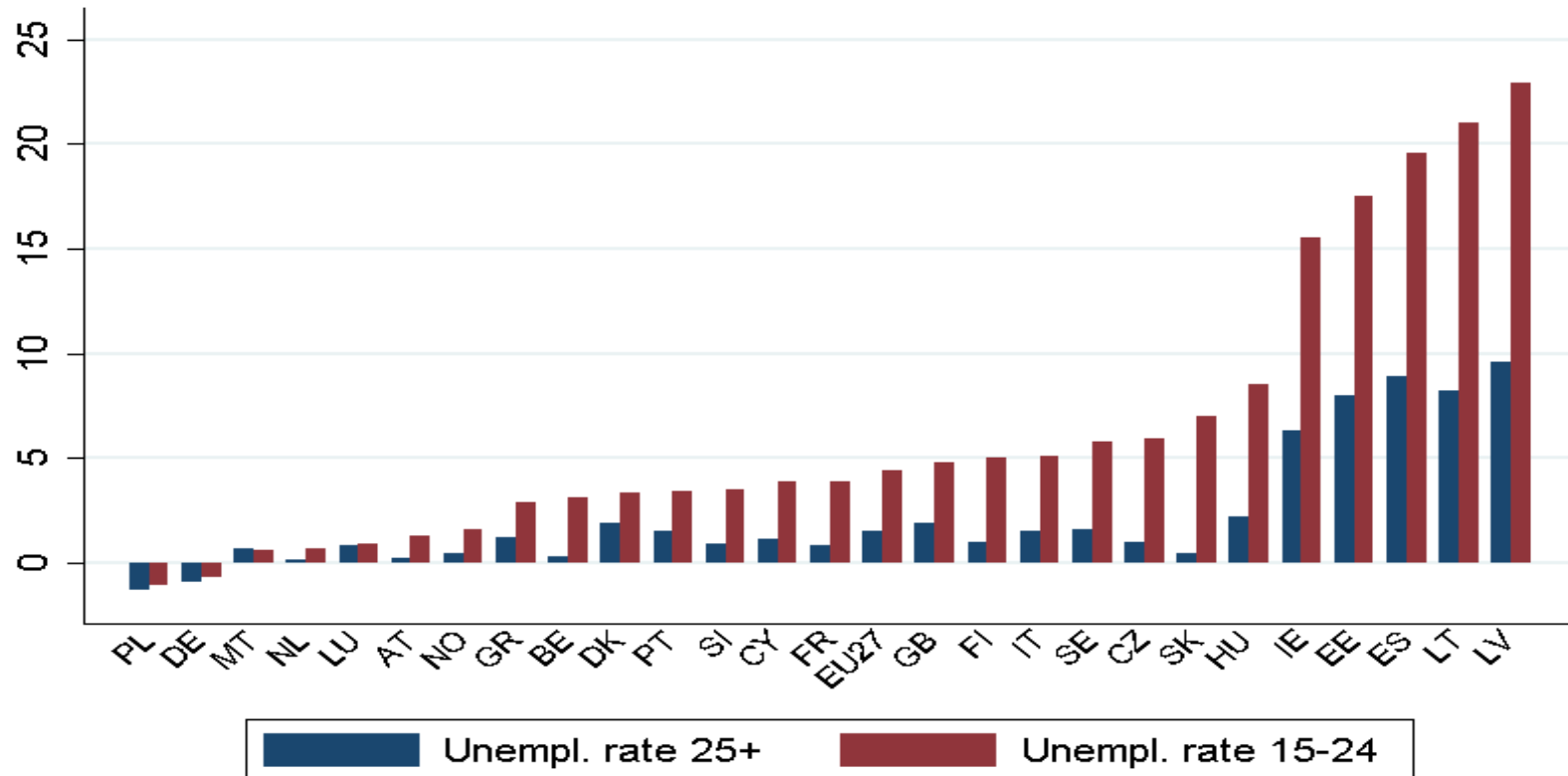
Key Issues Report 2

- (Long) time-series + cross-country approach
- Do events like job loss or long-term unemployment at leaving school experienced during a recession have longlasting effects?
- Can policies like unemployment benefits extended to first-time jobseekers (or subsidies to further schooling) during major recessions do anything to mitigate these scarring effects?

A lost generation?

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Unemployment rates, delta 2007-2009
(percentage points)

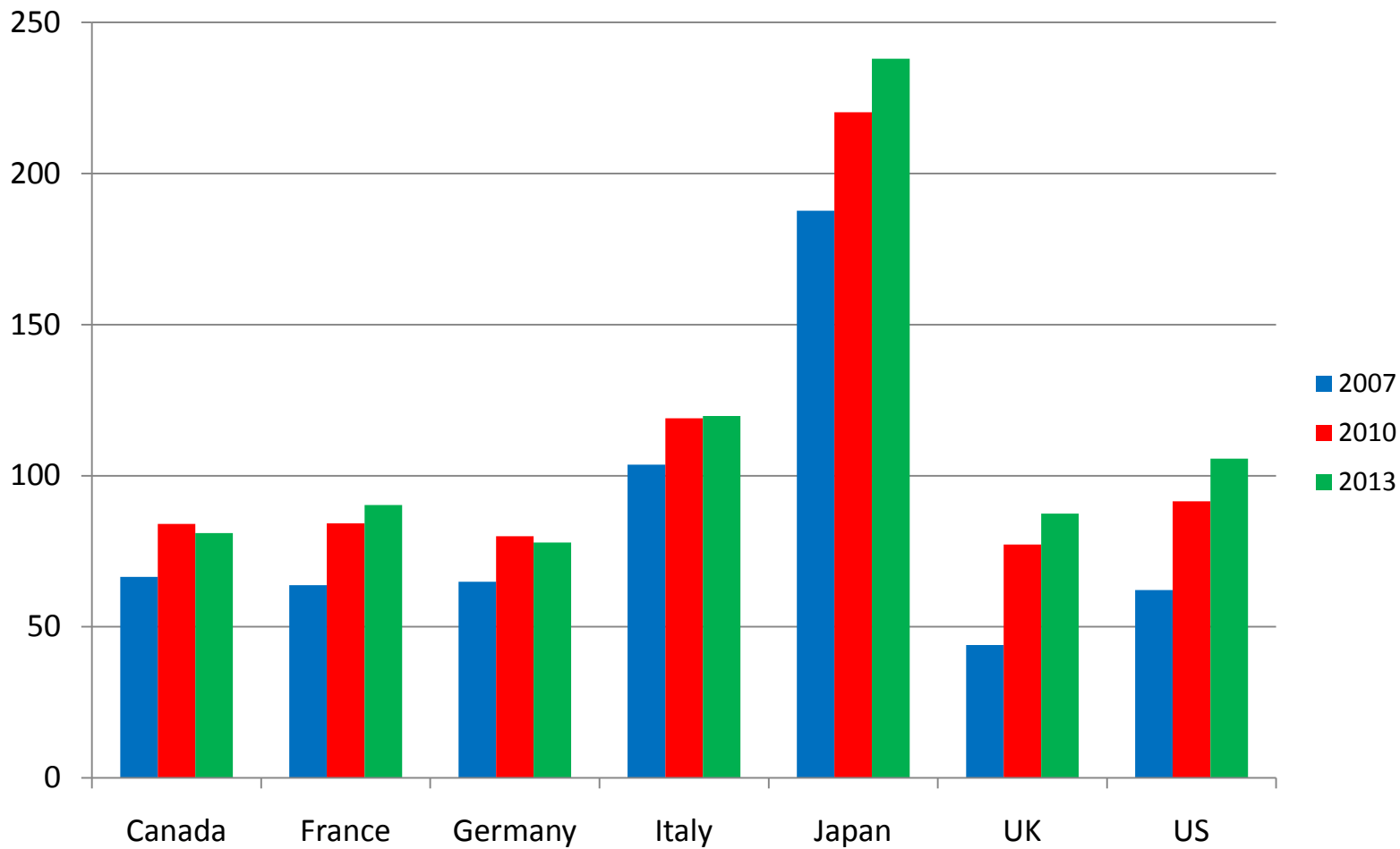


Source: Eurostat LFS, yearly data, 2007-2009

Less room for stabilizers

Public debts (% GDP)

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Source: IMF World Economic Outlook Database April 2011

Cross-cutting Issues

- In light of the fiscal consolidation efforts imposed by the public debt crisis, are there alternative, market-based, ways to provide insurance against negative shocks?
- As recessions are times in which shocks are correlated, should rules for the financing of social insurance be cyclically adjusted, i.e., be allowed to accumulate surpluses during upturns and operate with reduced contribution rates during downturns? Are balanced budget rules in the Constitution compatible with this?