



**Social Transfers and Poverty Alleviation:
National and International Perspectives**
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REDISTRIBUTION POLICY AFTER THE CRISIS

Challenges in the context of longer-term trends

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Context and outline

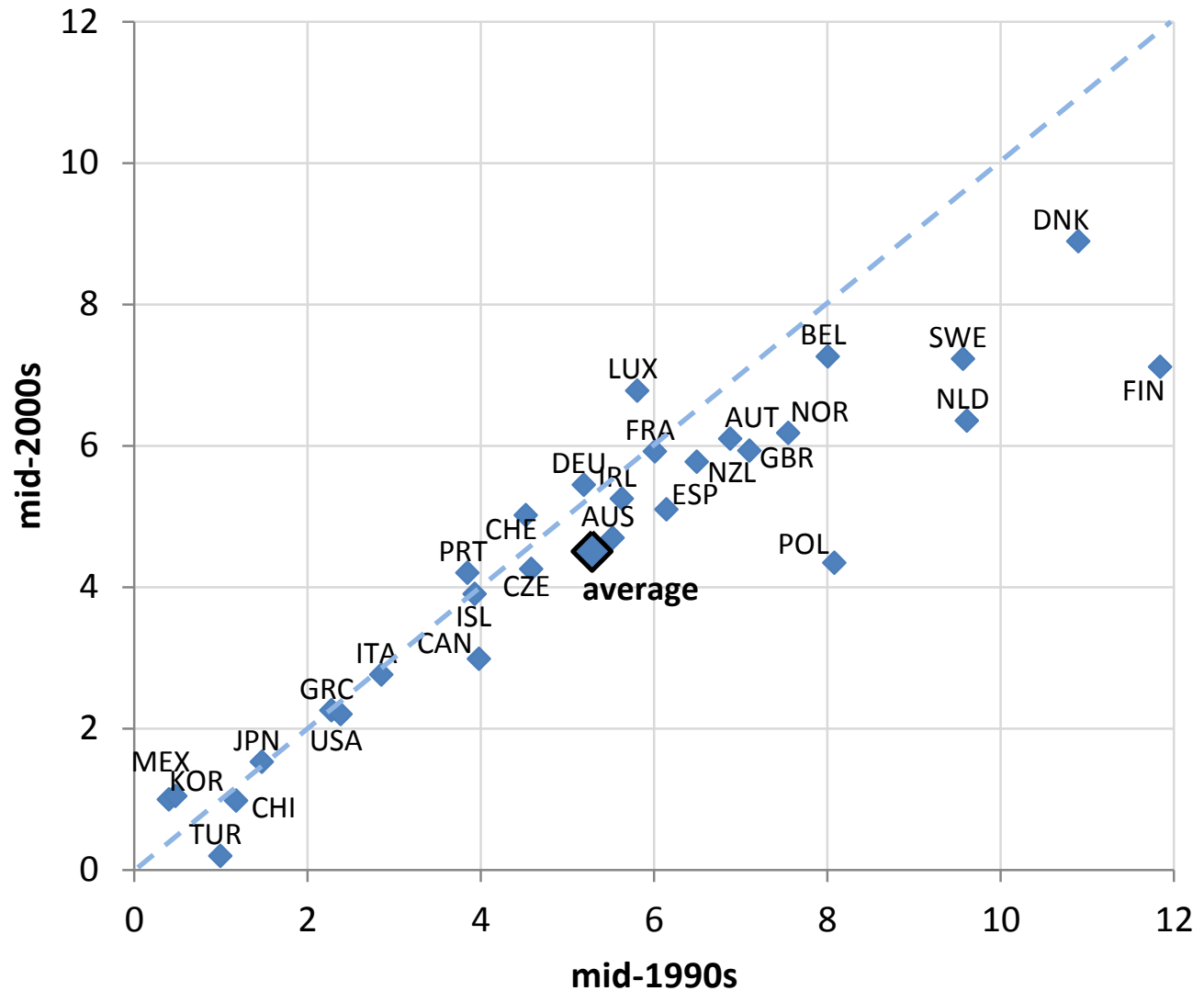
- Demand for social support especially acute during and after deep downturns
- How important are cyclical changes for the effectiveness of redistribution policies over the longer term?
- This presentation:
 - Policy and trends prior and since the crisis
 - What are policy options for making redistribution more “crisis-proof”?



Trends prior to the downturn



Less spending on working-age benefits

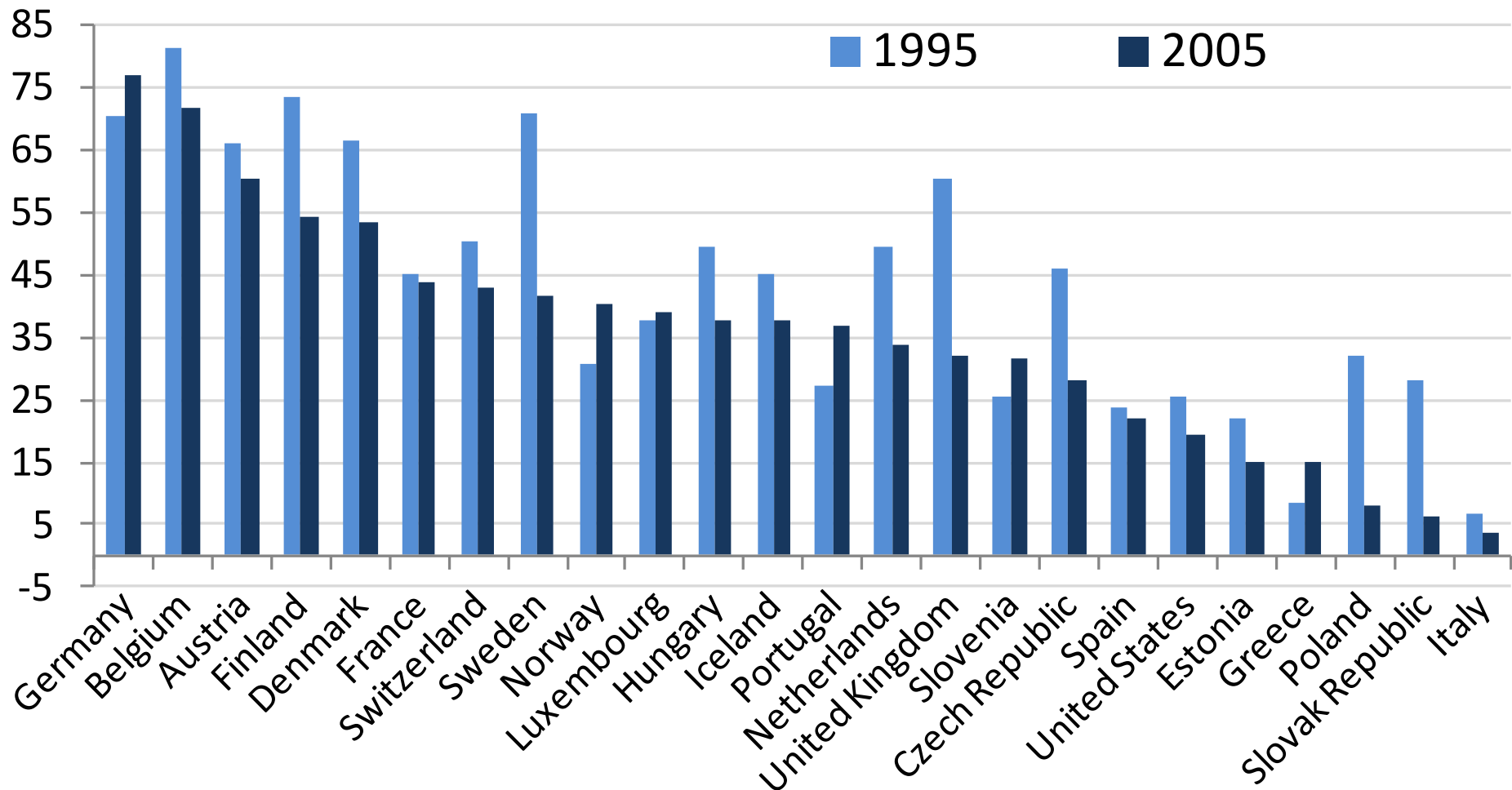


"non-elderly" benefits:
mid-90s to mid-00s
% of GDP



Declining benefit coverage... ... a key driver of rising inequality

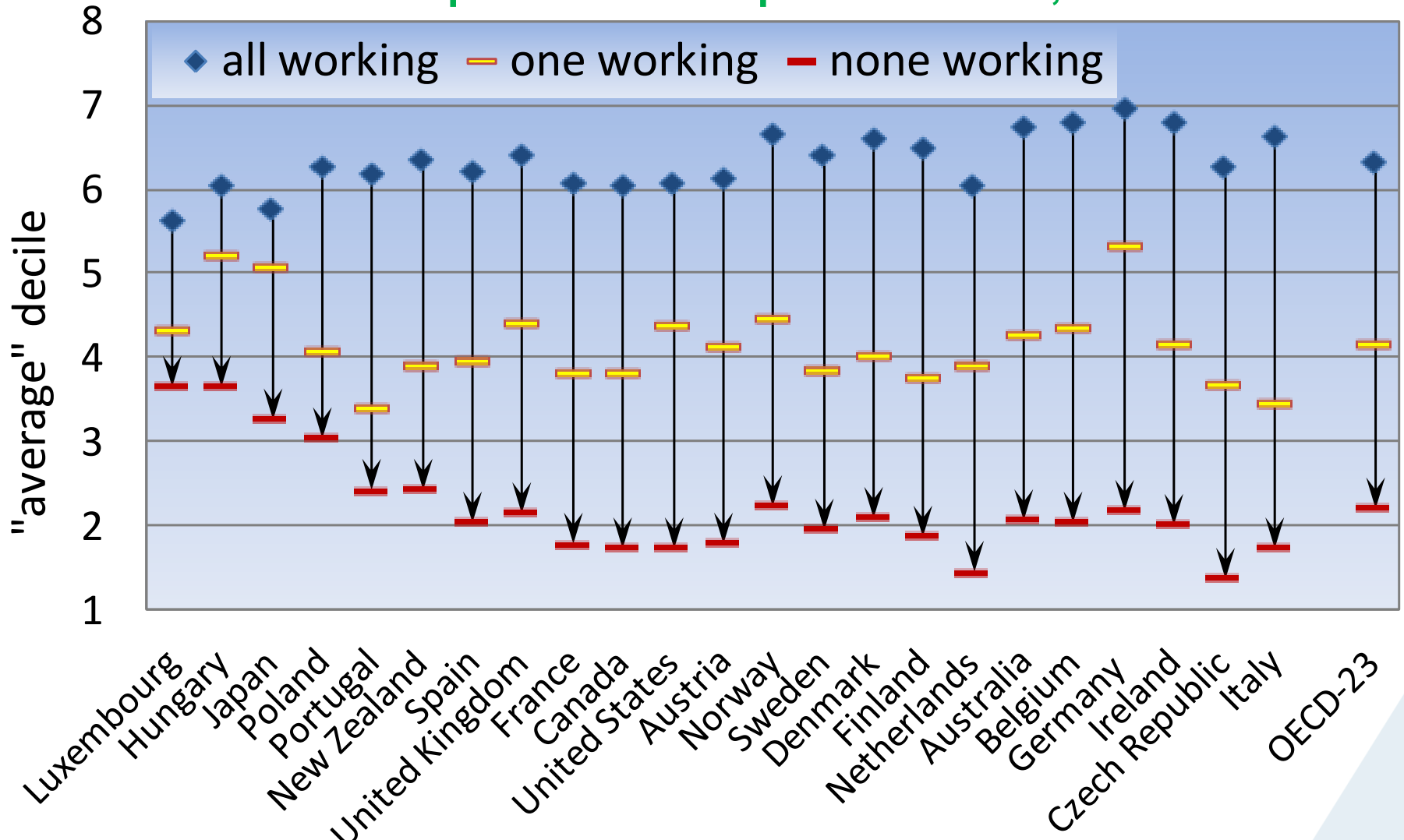
% of unemployed receiving unemployment benefits, selected countries





Safety nets are crucial when labour markets are weak

Income position of two-parent families, ca. 2005

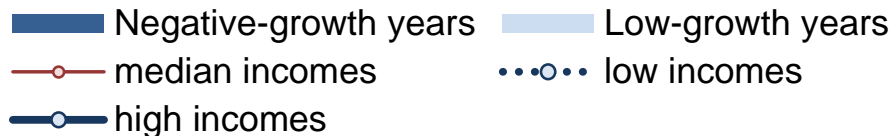




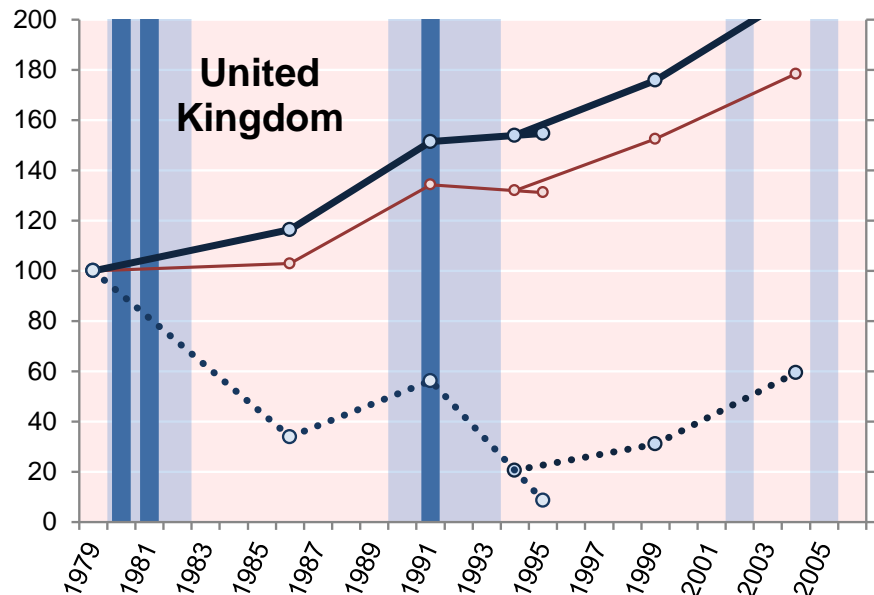
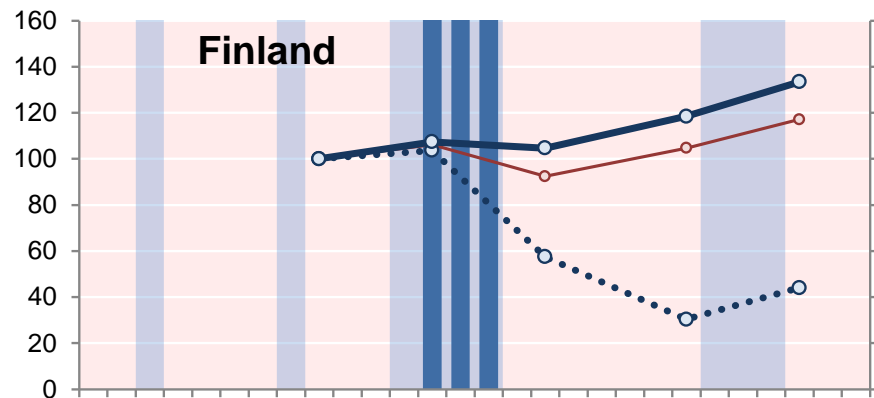
What need for support?

Experience from earlier recessions

- Income gaps widen – and recoveries often fail to close them
- At bottom: incomes fall rapidly during & after recessions
- At top: incomes often continue to rise (at reduced pace)
- Any narrowing of gaps after recessions does not last long enough to close gap
- Data for recent crisis point in similar direction as historic trends



Household market incomes, working-age in real terms, earliest data point = 100





Trends since the downturn, implications and challenges



Before the crisis: Were families more or less vulnerable than in previous downturns?

Less vulnerable

- Unemployment low; employment rates at all-time high
- More two-earner households than in previous recessions
- More effective re-employment support for job seekers

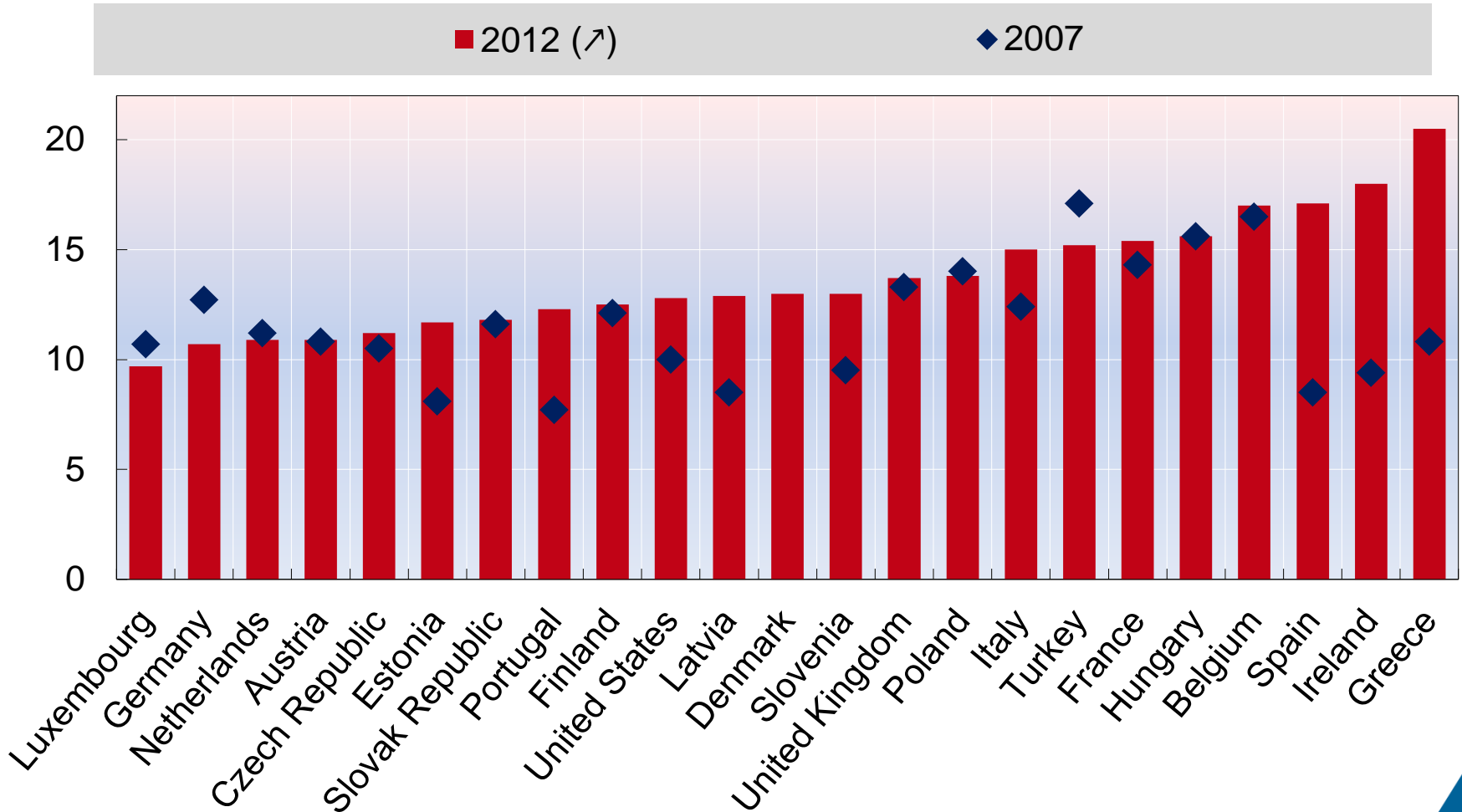
More vulnerable

- Labour-market segmentation; larger numbers of temporary and part-time workers
 - Higher risk of job loss
 - Less likely to qualify for unemployment support
- More single-adult households
- Reduced redistributive capacity of tax/transfer systems



Number of workless households surged

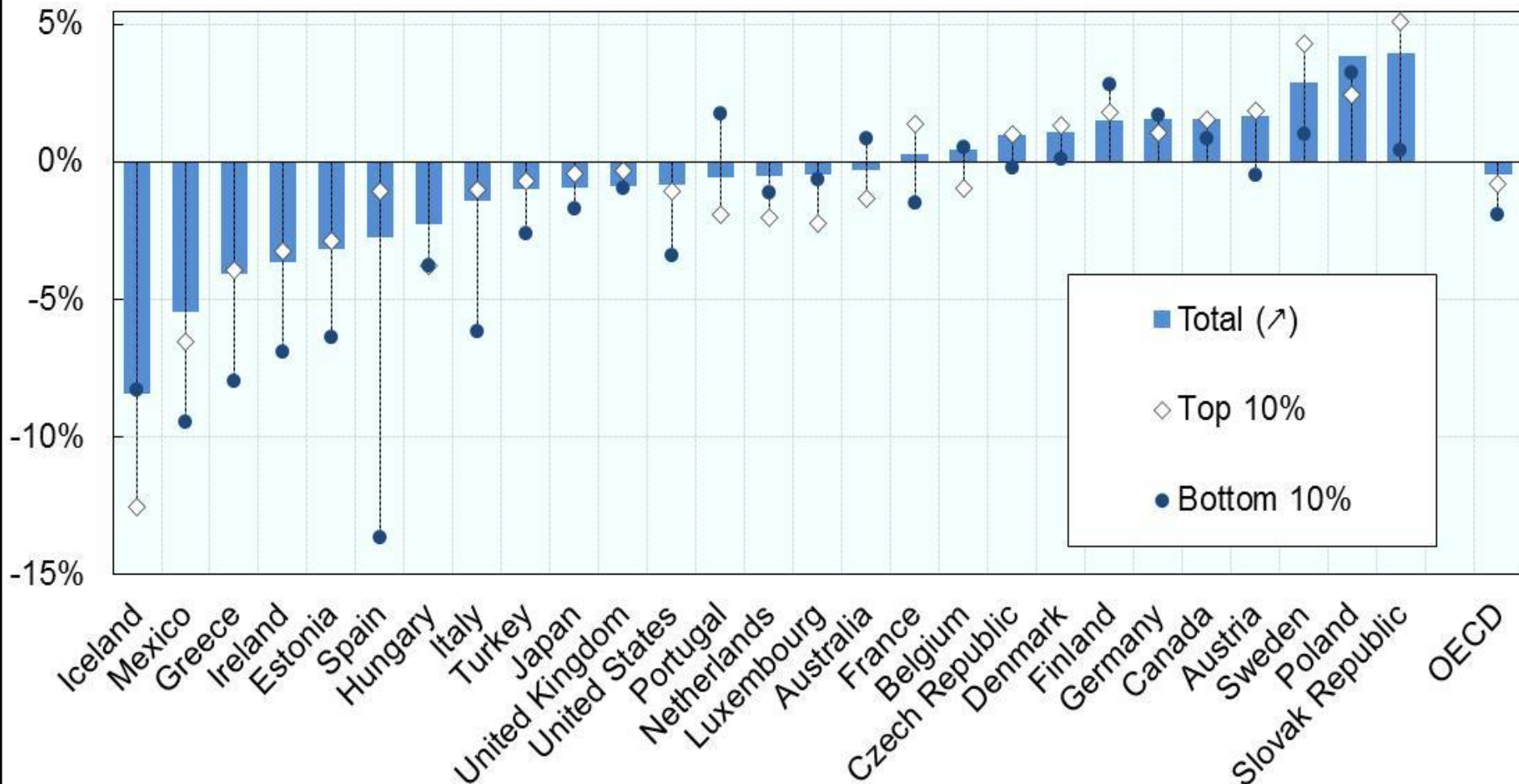
% of adults living in workless households





Poorer households tended to lose more or gain less between 2007 and 2010

Annual changes in disposable income, in %, by income group





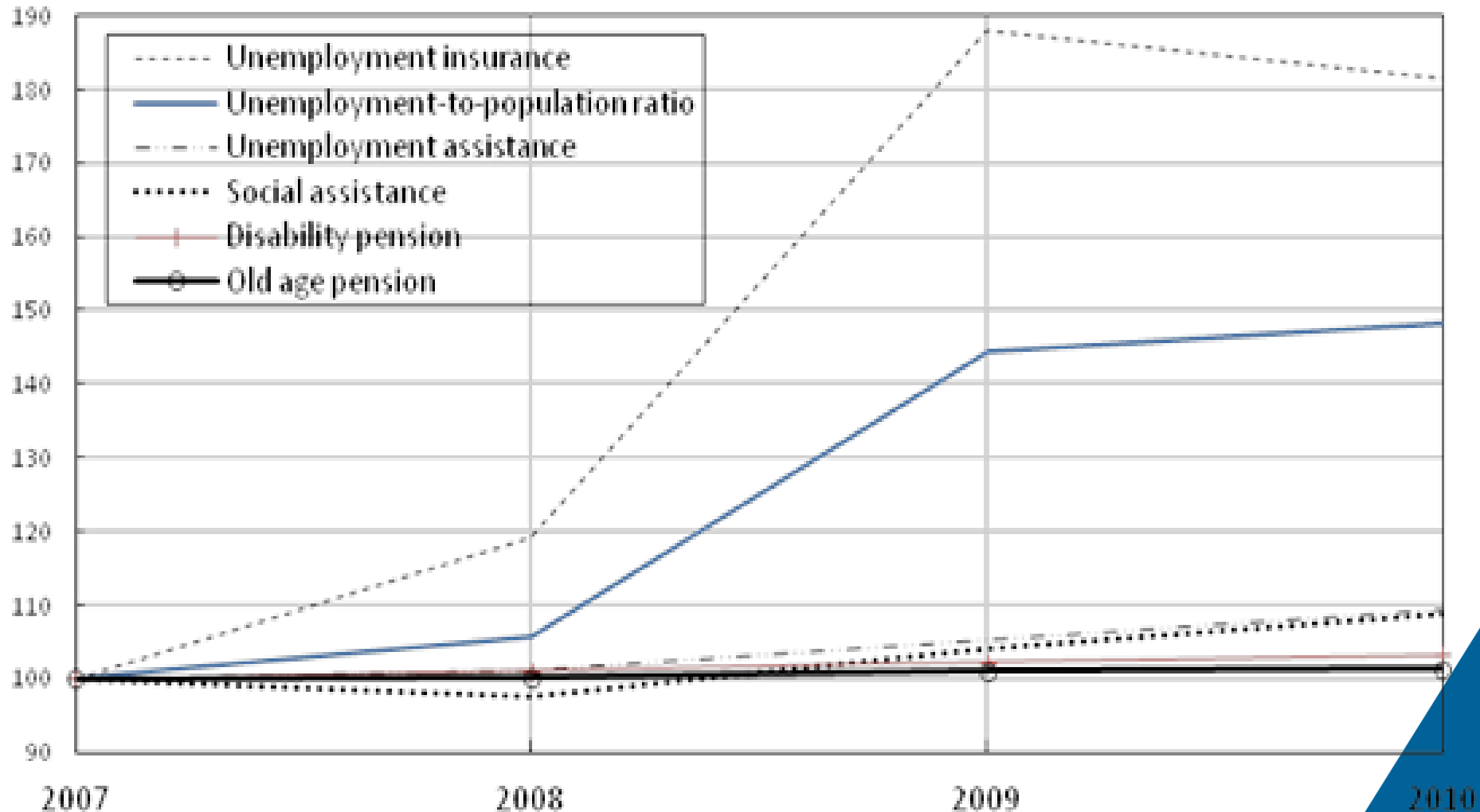
Need for counter-cyclical support

- “Scarring”: not just for unemployment but possibly for low income more broadly
- Provision of support when it is most needed:
 - To alleviate poverty (“equity argument”)
 - To reduce future social and fiscal costs (“efficiency argument”)
- But benefits provisions often not counter-cyclical
 - Unemployment benefits effective as “front-line” support, but less so for groups with biggest job losses (e.g., low-skilled, youth)
 - Safety-net benefit ‘caseloads’ have yet to reflect the growing need for support
 - Policy changes have frequently resulted in benefit cuts early during the recession
 - Working-age benefits have been a prime target of more recent savings measures



More people receive unemployment benefit, but no change for “inactive” benefits

OECD total, number of recipients in 2007 shown as 100

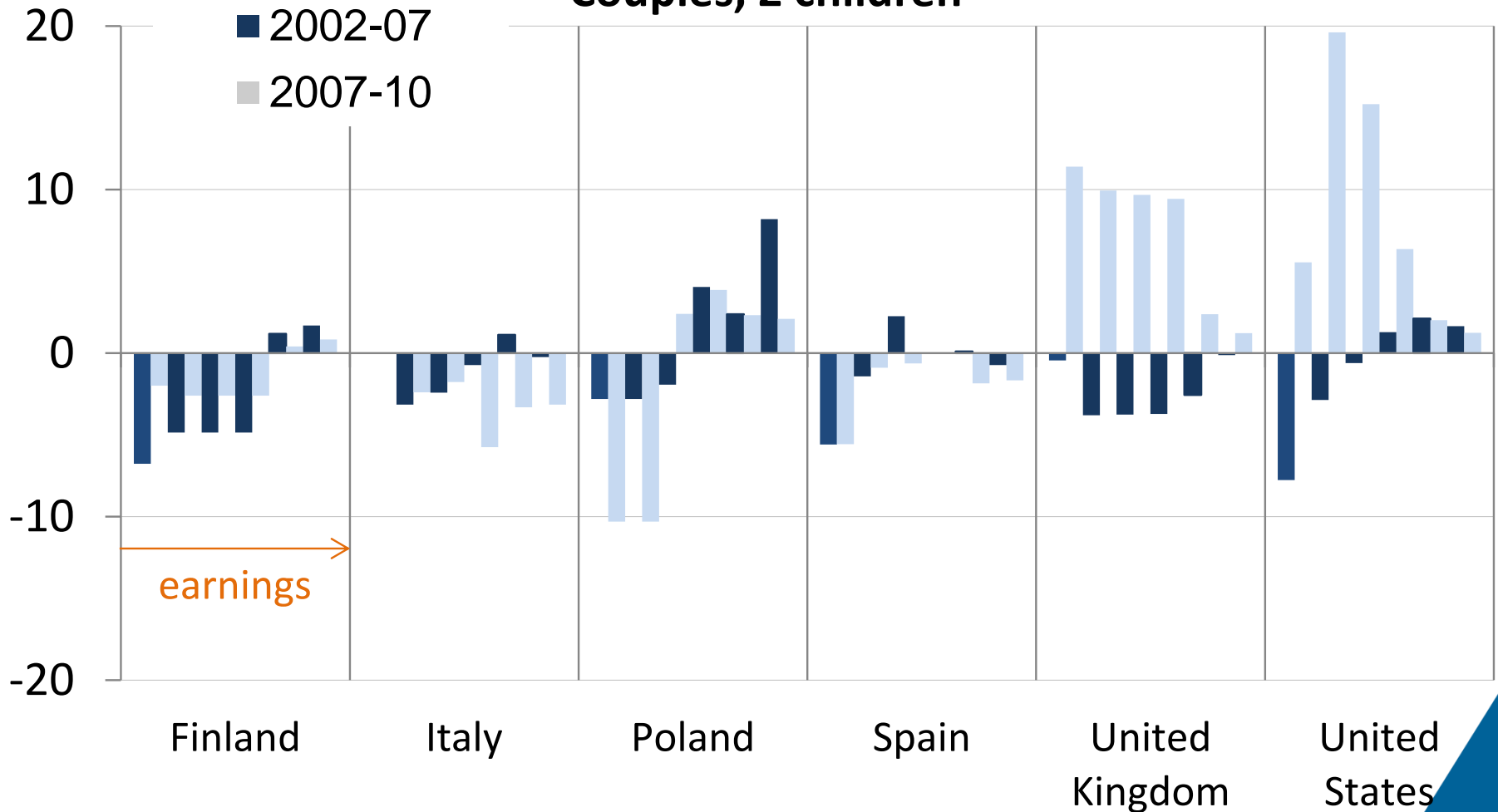




Gainers and losers across the earnings spectrum

Changes in net transfers, % of disposable income

Couples, 2 children





Making redistribution more crisis-proof: Policy implications and challenges

- Ensure essential **support for the least well-off**
- Prioritise funding in **investment-type programmes**, especially for children and youth (investment at the right time)
- Accessible **employment support** for all family members, adapted to labour market situation
- **Counter-cyclical support** needed to tackle longer-term trend towards rising inequality
 - effective support during downturn
 - broad revenue base to provide adequate resources
 - credible commitment to make savings during upswing



Thank you, and some sources

- OECD (2014), “The crisis and its aftermath: A ‘stress test’ for societies and for social policies”, in: *Society at a Glance*, forthcoming.
- OECD Income Distribution Database: www.oecd.org/social/inequality
- OECD Social Expenditure Database: www.oecd.org/social/expenditure
- Immervoll and Richardson (2011), “Redistribution policy and inequality reduction in OECD countries: What has changed in two decades?”, www.oecd.org/els/workingpapers
- Immervoll and Richardson (2013), “Redistribution policy in Europe and the United States. Is the Great Recession a ‘game changer’ for working-age families?”, www.oecd.org/els/workingpapers
- www.oecd.org/social