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OECD Round-Table on "Monitoring the effects of the financial crisis on vulnerable groups of the society" (Paris, 18 March 2009)

0) Miscellaneous:

- a. I'll take primarily a European Union perspective here (rather than an OECD one, as I don't have sufficient knowledge of non-EU members of OECD);
- b. In my view, our focus should be on the whole society rather than only on the "vulnerable groups" as suggested by the title of this Round Table (e.g. also the middle class is heavily touched by the crisis; "new poverty" is a major issue).

1) Congratulation to Brian Nolan for a very good and also very comprehensive background paper. I agree with almost all of his analysis and proposals.

2) The only doubt I have is about Brian's suggestion that "rather than waiting until the full sample has been obtained, preliminary results for a sub-set might be produced more quickly".

I share the view expressed by Anne Clémenceau (Eurostat) on this, i.e.:

- a. I don't think this solution would work in the case of the EU reference statistical data source "EU-SILC", the *Community Statistics on Income and Living Conditions*¹...
- b. but there is an alternative solution that might be worth considering even if it may not be easy to implement:
to have a limited set of key variables related to current income (as opposed to N-1 income for almost all countries in the standard EU-SILC) which would be made available, soon after the fieldwork (that should then ideally take place earlier in the year in all the Member States) and for the full sample, together with key socio-demographics and key questions on financial stress (e.g. arrears in mortgage payments, difficulty with making ends meet...).

¹ As put by Anne Clémenceau, there are three main reasons for this: a) the full EU-SILC sample is quite small in many EU Member States; b) what takes most time in EU-SILC is in fact the treatment of the income information (checks, imputation...); and c) the fieldwork in the different Member States takes place at very different periods of the year.

→ This approach (2b.) would allow for early/ provisional estimates to be produced... and to be calibrated against the full EU-SILC. (The question of the difference between the “final” and provisional estimates will need to be addressed as far as the communication about these figures is concerned; we need to avoid publishing very different estimates and sending contradicting messages.)

3) The unique potential of the quarterly Labour Force Survey (LFS) remains largely under-used. Two concrete proposals on this:

a. With a view to better study the poverty and social exclusion dynamics in the short term, we should consider ways of improving the panel dimension of LFS, to allow for an analysis of key transitions (e.g. from employment to unemployment). For this we should aim at a panel of persons/ households (rather than a panel of dwellings).

b. Use LFS to calculate short-term, crude quarterly poverty estimates. There are (at least) two options.

- First: combine the most recent EU-SILC information (today, 18/03/09: 2007²) on the composition of the population at risk of poverty and social exclusion, on the factors increasing/decreasing this risk... with the information available in the quarterly LFS (today: last 2008 quarter) with a view to extrapolating quarterly crude estimates. Advantage: this could be done on the basis of the existing LFS; i.e. no amendments to questionnaire required. Disadvantage: given that the analysis would be based on EU-SILC, in the next 12 to 24 months it would have to be based on EU-SILC data collected prior to the crisis. So, "new poverty" could not be caught through this analysis (idem for new policies implemented since the crisis – esp. for those related to (N-1) income)... which, in view of the specific nature of the crisis, is problematic. Yet, because of its very low cost and because it could be carried out straight away, it would be worth exploring.

- Second: include in the quarterly LFS a very small set of variables that could help catch crudely the total household income of interviewees (as opposed to only their main job's earnings as is currently the case in most countries). On this basis, produce poverty quarterly estimates, which would be calibrated on the basis of EU-SILC information.

→ In both cases, the key focus would be on monitoring trends rather than assess actual levels.

→ See remark above re communication about what might be quite inconsistent figures – the “reference” estimates based on EU-SILC (EU-SILC should remain the reference EU data source for income-based indicators) and the quarterly figures produced on the basis of LFS.

4) Other types of statistical matching than the one described under 3 could also usefully be made – not only between different survey data sources but also between survey data and administrative/registers data.

² The 2007 EU-SILC data are to be released in the second half of this month, with 2006 as income reference year.

5) On administrative/registers (A/R) data: Brian's paper explains very well both the unique potential and also the serious limitations of A/R data. To take one example, the fact that non-take-up of social benefits can be above 50% in various countries is clearly a major problem even for calculating "crude" estimates. We need to keep this and other limitations in mind.

Brian's paper also rightly highlights the importance of being able to link the information contained in various A/R files and to have information on the households of beneficiaries (as opposed to information limited to each individual beneficiary). The latter is important *inter alia* for calculating poverty risk and "well-being" (household-based) estimates. I think the Belgian cross-road bank provides an interesting practice on the potential of linking various A/R data-files, which would be worth learning from.³

Other suggestions re A/R info: carry out systematic monitoring of those becoming eligible for social benefits (and claiming them...), analyse the information collected from users by the various social services, etc.

Data from fiscal registers should also be used more extensively - even though various coverage issues may need to be addressed in different countries.

6) Use to the full the regular (often monthly) conjuncture barometers, including the one carried out on behalf of the European Commission, to collect information on consumer confidence and economic sentiment. See to what extent these could be slightly amended/completed to include indicators that could contribute to a better monitoring of the crisis.

7) Banks and credit sector: It would be extremely useful and urgent to involve banks and the credit sector in the monitoring of non-performing and delayed loans in the housing and non-housing sectors, in the monitoring of bank accounts with significant/ consistent overdrafts...

Here also, good national practices should be used. An example of such practice is the Belgian Central Individual Credit Register, which records information relating to all consumer credits and mortgage loans contracted by natural persons for private purposes as well as any payment defaults resulting from these loans.⁴ This register "aims to strengthen the means of preventing the excessive indebtedness of private individuals."

8) Water, electricity, gas companies: delay in payments of utility bills.

9) Voluntary organisations can (potentially) provide extremely useful quantitative and also qualitative information. Some ideas: identify new requests for aid from first line social services and local authorities (where these exist, National Emergency Lines can provide useful information on extreme problems like eviction), monitor use(rs) of food banks, monitor requests for help with problematic debts, "measure" extent of homelessness... On the latter, Luxembourg (for ex) has gathered experience of joint work with the voluntary sector.

³ As pointed by Brian, we need not to forget that A/R data reflect the structure of the social security system... and may then not easily reveal their own gaps.

⁴ Since 1 September 2004, the file of non-regulated registrations (ENR) also registers the payment arrears on overdue debts relating to credit agreements and financial undertakings concluded by natural persons for private purposes, which are not listed in the file of the Central Individual Credit Register.

Creating trust is essential here.

We should also not underestimate the technical difficulty that collecting such information can represent: multiple counting etc...

10) The various suggestions made above are all based on existing (or “almost existing”) sources – amendments of and/or addition to these sources, matching of sources...

There is a clear trade off to find between statistical reliability/ quality and timeliness. Indeed, if some of the changes to be made to existing instruments are implemented this should be done with a view to better equipping countries and international organisations with short term monitoring tools and at the same time this should not affect (significantly) the reliability/ quality of these data sources (e.g. drop in response rate, break in time series re comparability...).

11) Even though the priority should be on making the existing sources more timely and powerful, I think that some new data collection, focused and limited, is required for a proper social monitoring of the crisis.

Here again, a trade off needs to be found between statistical reliability/ quality and timeliness: the objective is not to collect timely data for the sake of collecting timely data. “Quick and dirty” information would obviously be useless for decision-makers, analysts...

12) Use market research companies to carry out quick surveys, possibly among groups at higher risk.

For instance, at EU level Eurobarometer surveys provide a useful instrument to collect not only opinions and attitudes with regard to the crisis but also information related to income and living conditions even if the samples are very small. Various thematic Eurobarometer surveys (on poverty and social exclusion, on social security...) carried out in the past have provided very useful input.

The information collected through this kind of instrument can certainly not replace the one collected through more robust statistical data sources but it can usefully complete them.

13) On the analytical side:

- a. Ensuring a wide access to properly documented statistical data sources is essential. It is important for research. It is also important to improve data quality, as data weaknesses often arise when there are problems of communication between data producers and data users. On this, the *Network for the analysis of EU-SILC (Net-SILC)* project is worth mentioning. Funded by Eurostat, and led by the CEPS/INSTEAD research institute, this research network brings together national statistical institutes and academic experts.⁵

⁵ Net-SILC consists of:

- a) eight national statistical institutes (Austria, Czech Republic, Estonia, Finland, France, Italy, Norway and the UK), the Bank of Italy; and

- b. I would like to strongly encourage Tony Atkinson's recent suggestion to stress-test the Welfare State, which he describes as: "(testing) the likely performance of the welfare state in providing an effective safety net for those whose livelihoods and savings are lost as a result of economic crisis". The EU funded EUROMOD micro-simulation project has just started exploring this – *inter alia* in the context of the aforementioned Net-SILC project.
- c. We should investigate how much the appropriate Purchasing Power Parities adjustment varies across the income distribution in the different countries. Research on the monitoring of the Millennium Development Goals has emphasised that the relevant adjustment is one that relates to consumption, not national product in total, and one that is relevant to households at risk of poverty. As it was put by Deaton, "the consumption bundles of the poor are not the same as the average consumption bundle, and price movements in the latter can be different from price movements in the former, for example if the relative price of food increases." (2002, page 1.9⁶). If we are going to place more reliance on the PPS adjustments, then their distributional salience needs to be addressed. The economic and financial crisis has made this even more important.

14) To conclude:

- a. The crisis should be used as a major motivation, and in fact a unique "opportunity" to boost the statistical capacity at sub-national, national and international levels, to improve social monitoring and to develop expertise in the assessment of the social impact of policies. We need to build a robust, multi-dimensional "social statistics framework". We need to use to the full the potential of existing data and instruments. We need to share expertise and learn from each other; micro-simulation is obviously one important area where expertise could usefully be shared and built.
- b. In view of the need for coordinated responses to the crisis, there is a key role for international bodies like the European Commission, the OECD and the World Bank.
- c. There is a lot to learn from the recent EU work carried out by the 27 Member States (EU Social Protection Committee) and the European Commission (Directorate-General *Social affairs, Employment and Equal opportunities*) in the context of the "First joint assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses". This excellent joint document was presented to the 27 EU Ministers in charge of social affairs on 9 March 2009.
- d. The above will require both political willingness and extra funding.

b) academic experts from 8 Universities and Research Centres (Social Science Research Centre Berlin (WZB, in Germany), IWEPS (Belgium), European Centre for Social Welfare Policy and Research (Austria), London School of Economics, Oxford University and University of Essex (UK), University of Sienna (Italy) and Kent State University (US).

⁶ Deaton, A. (2002), *Data for Monitoring the Poverty MDG*, Research Program in Development Studies, Princeton University, Princeton.