



Summary of OECD's Roundtable Discussion Event 18 March 2009

“Monitoring the effects of financial crisis on vulnerable groups of society”

Key messages

1. *Strengthen existing data sources, and avoid compromising reliability for quicker delivery of data.*

Some specific proposals stand out in this respect, in particular that of including in existing surveys specific questions on household income (in ongoing Labour Force Surveys) and on financial conditions and material deprivation (in consumer sentiment surveys). Another proposal was that of redesigning household income surveys so as to allow processing of the data six months after the completion of the fieldwork.

2. *Leverage a range of other sources to provide a more timely account of the social impacts of the crises.*

In particular, information from the administrative data (e.g. on programme beneficiaries) should be exploited: while access to these sources remains an issue, and they may need some further development before they can be used, a lot can be learned from practices in other countries. Data from other sources – such as information collected by providers of social services, and by financial institutions – could also be exploited. Mobilising these various sources is important also to avoid unsubstantiated claims on the social impacts of the crises by the media.

3. *Explore the potential of microsimulation models to assess the impact of the crises on households.*

Several participants noted the role of microsimulation models, available at both the international (e.g. **EUROMOD**, at the EU level) and national level, to build scenarios describing the potential impact of a number of macro-economic shocks (e.g. higher unemployment, lower pension assets) on people with different characteristics and on welfare programmes. The OECD could play a coordination role in bringing together microsimulation experts and encouraging the production of consistent scenarios.

The agenda

1. The meeting was opened by Enrico Giovannini (OECD), followed by a presentation of the background paper by Brian Nolan. Next, the invited panellists provided their views on how best to collect and develop statistical information to monitor the social impact of the crisis, in the short as well as long run. The discussion from the floor included comments from the delegates of the United States, France, Switzerland, Italy, the Czech Republic, Poland, and Canada as well as from the representative of the European Commission and independent observers. The conclusion of the meeting detailed some elements of a possible action plan that the OECD, alongside other international organisations and national statistical offices, could follow in monitoring the social impact of the crisis.

Opening statement included key facts about the crisis and a mention of OECD's work plan...

2. The following key points were made in the opening statement by Enrico Giovannini:

- The economic crisis of this magnitude affects all segments of the society and can lead to social tensions within the society.
- The crisis can be an opportunity to boost the statistical apparatus available for social monitoring framework. The work plan to be pursued will depend upon our working hypothesis for the duration of this crisis: either an optimistic scenario, where the recovery will start happening soon, or a more pessimistic one, where the crisis will last much longer.
- Good information – in the form of data, statistics and indicators – is essential to monitor the social impact of the crisis. Barring that, the risk is that the media will fall back on the unsubstantiated information. Identifying the information gaps and assessing how they can be closed is a priority, and this will be rightly identified in OECD's future work agenda.

- The coordinated responses required to better monitor the impact of the crisis highlight the key role for international bodies like the OECD. The OECD's work programme on monitoring the social impact of crisis will be presented in the June meeting of OECD's Committee on Statistics.

The background note highlighted the challenges that statistical systems are facing and offered concrete recommendations for improvement...

3. It was noted that the most direct impact on household's economic situation will come via unemployment, which will affect many of the population groups who were previously not at risk. The issue of in-work poverty is likely to become more serious. The crises will also generate serious strains on the social safety net programmes, as more and more people will find themselves in a situation when they are involuntarily out of work. The migrants, who were previously seen to enhance the working age population, may now be seen as a burden, and thus their situation will be particularly precarious.

4. The key limitation in current information is that results become available with a considerable delay (e.g. two year lag in obtaining the poverty statistics from the EU-SILC survey). Some indicators from the administrative data, such as the benefit claimant count, can be made available with much shorter delays, but the data access issue must be resolved. In order to learn more and quicker, two concrete suggestions were made:

- Produce preliminary results for **subsamples of existing surveys** (appropriately adjusted to provide grossed-up results);
- Include **add-ons in the existing surveys** to obtain the information required for short-term monitoring (e.g. by adding an income module in the LFS or adding questions on material deprivation);

5. For longer-term needs, the following suggestions were made:

- The possibility of carrying out new specially designed and targeted surveys must be explored by the NSOs;
- Further development of **administrative/registers data sources**, in particular increasing the linkage of administrative/registers data sources, providing information on beneficiaries' households, expanding data collected in administrative registers, and making these results accessible in a timely fashion to a wider group of users. The background paper also highlights that non take-up is an important element to keep in mind when using these data. Lessons can be drawn from experiences and practices pursued across countries;
- Using data from other sources – such as information collected by providers of social services and by financial institutions.

6. Greater use should also be made of **microsimulation models** to understand the first round impact of changes in the labour market. In particular, these models can help translate macroeconomic changes to the micro level. Reference was made to the multi-country Europe-wide tax-benefit model, **EUROMOD**,¹ whose use should be encouraged for the analysis of the impact of economic crisis on the household situation.

Seven panellists offered their views on how best to collect and use information for monitoring purposes...

7. In addition, several interesting views were given by the panellists in their statements.

- The potential of micro-simulation models is indeed significant, although results should be used with caution as they depend critically upon the underlying assumptions. Scenarios analyses, linked with aggregate changes in labour force status and GDP growth, were mentioned as a good possibility (and these analyses could help “stress-test” the Welfare States, an idea promoted by Tony Atkinson). **EUROMOD** is a useful tool, but national models should also be developed and utilised. The OECD could usefully contribute to the dissemination of in-depth knowledge among microsimulation experts through international workshops.
- Macro-economic and sector-specific studies will be necessary to focus on the sectors that are worst hit (e.g. construction, automobile), that are most important for employment (trade) and that

¹ EUROMOD should normally be able to cover all 27 Member States as from 31 Jan 2012.

are characterised by a high share of temporary (e.g. personal services), unskilled and low-paid jobs.

- Didier Gelot of the French National Poverty Observatory presented the motivation behind the 'social watch system', which is now operating in France (and it could also be emulated elsewhere). The system aims to build an integrated data system and to produce evidence for policy advice. More information on this French experience will be available at the end of 2009.
- Anne Clémenceau of Eurostat recommended adding to the LFSs a short module on household income (crude estimate) and financial stress, which would require overcoming the resistance from some EU countries. She warned against the feasibility of relying on sub-sample analysis of EU-SILC (suggested by Brian Nolan), arguing instead in favour of a redesign of the entire survey (especially the fieldwork periods in the different countries) so as to allow processing and releasing part of the data six months after the fieldwork, and including simpler questions on current income and financial situation.
- Eric Marlier supported the Eurostat proposals, and stressed the need for a fuller use of the longitudinal dimension of the quarterly LFSs, the potential of which could be significantly increased if a move was made from a dwelling based to an individual/household based panel. He also highlighted the potential of statistical matching, both between different surveys (e.g. LFS and EU-SILC) and between surveys and registers.
- Proposals were made for a better use of the regular data from the Barometers on consumer confidence and economic sentiment, including the one carried out on behalf of the European Commission. The OECD should explore the possibility of amending existing modules to collect information for a better monitoring of the crisis.
- Tim Smeeding offered the example of using administrative data on monthly enrolment of Food Stamps in USA, which serves to be an excellent indicator of need and predictor of poverty in the short run. He also made suggestions towards extending to other countries the daily poll of social conditions undertaken by Gallup for the US. Andrea Brandolini emphasised the point that the economic crisis of this magnitude affect all segments of the society and not just those groups conventionally identified as 'vulnerable'.
- References were made to the cross-road databank used in Belgium as providing an interesting practice on how to link various administrative register data-files, and to the importance of undertaking surveys of social workers.
- Recommendations were made to involve banks and the credit sector in collecting relevant information. References were made to the experience of the Central Individual Credit Register in Belgium, which records information on consumer credits and mortgage loans as well as any payment defaults resulting from these loans.
- It was suggested that water, electricity and gas companies could also help monitor the impact of the crisis, e.g. through indicators on delay in payments of utility bills.
- Martin Ravallion referred to the experience of the World Bank in dealing with the past crisis in the developing countries, stressing the need to collect information on: (a) the transmission mechanisms, i.e. to understand what factors affect household conditions; (b) welfare outcomes in income as well as in non-income spaces; (c) prices and its regional and group-specific variations; (d) distribution within households, especially how children and elderly are affected; (e) schooling, both for students and teachers; (f) access to non-market goods; and (g) geographical and sectoral employment and income heterogeneities, to identify which groups are most affected.
- Recommendations were made that the statistical agencies and other relevant bodies should rely as much as possible on the existing sources. Patience is required, as 'quick and dirty' data is not likely to be very useful (they may in fact misinform about the impact of the crisis!). These views were promoted also for the reason that such practices will improve the long-run sustainability of statistical systems. Thus, even though new specially designed and targeted surveys may be needed to complement existing ones, their pros and cons need to be carefully explored by NSOs before launching them.
- Istvan Toth described the different phases of the crisis, spreading from the financial sector to the real economy, to social conditions and labour markets, and finally to public finances. He

explained how various groups are affected during each of these phases through different mechanisms. The last stage of the crisis puts strain not just on the current generation (as less resources are available for social benefits) but also on future generations. The social cohesion issues emerge from this process.

- Measures need to be considered to see how best to tame the impact of crisis. Each country will have to see whether an end to the crisis will require specialised activation measures for people to return to work and exit from poverty.

Comments from the floor provided some novel ideas...

8. Mira D'Ercole (OECD) emphasised the importance of the dissemination of information and its use by policymaking officials. The representative of the United States mentioned that the US Census Bureau will suggest organizing similar events at the national level; he also emphasized the importance of combining survey and administrative data, and the challenges in sharing access to micro data. The representative of the European Commission, Ms. Antonia Carparelli, referred to the social inclusion policy and the joint report by the Social Protection Committee and Member States (summarised in the recent press release); she noted that EU States have completed a questionnaire providing the information on tools that they use in monitoring the impact of the crises, and highlighted the scope for mutual learning in this field.

9. Bernd Marin of the European Centre Vienna made the point that the UNECE Europe covers 56 countries and thus this grouping of countries provides a bridge across the Atlantic. He recommended that National workshops should be held on the same lines as the current one, and the OECD to manage the process in pooling this information.

10. The representative from Canada stressed the importance of regional analyses of employment, income and living costs. She also mentioned that Statistics Canada is moving towards a continuous social survey, that allows the inclusion of ad-hoc modules and the production of timely social data (lag of two months). The delegate from Poland mentioned the budget cuts that many NSOs are likely to face in the future for conducting surveys, and argued that administrative data are difficult to use and differ much in quality.

11. Responses from the panellists generated some novel ideas, such as the importance of focusing on vulnerability rather than on poverty per se; better exploiting existing sources, to avoid risks of breaks in data series; the trade-off between timeliness and reliability of data, and the importance of not compromising the latter when trying to improve the former; the need for further research on data sharing and data linkages methods; the value of forums or research networks involving both data producers and data users (e.g., the Eurostat-funded Network for the analysis of EU-SILC (NET-SILC)); and the importance of leveraging new statistical sources, such as the ECB survey of household finances which will be carried out within the Euro zone in the near future.

Synthesizing statement included an action plan proposal...

12. Enrico Giovannini concluded the workshop by highlighting a number of concrete steps.

- A quick report should be prepared containing main messages arising from the discussion in this meeting. This will be a joint report of this group and provide an agreed point of view.
- The OECD Secretariat should discuss with the World Bank, the UN and the European Commission the possibility of establishing an international Task Force on Social Statistics, similar to the one recently established on Economic and Financial Statistics.
- The engagement of policymakers is important, and ways should be explored to raise these issues during the OECD Ministerial meeting of Labour Ministers in September 2009. A rapid response capacity is also required, which could require establishing a network of national contact points without waiting for the June 2009 meeting of the Committee on Statistics.
- The potential use of the microsimulation models and administrative datasets should be further explored, and the OECD could play an important role in this respect.
- It is essential to bring together the community active in monitoring the social impact of the crisis. A Wiki tool can be helpful but it needs a research community behind it.

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