

Who Suffered Most in the Recession? A Cautionary Tale

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Background



- It is often assumed that the disadvantaged ‘suffer most’ when there is an economic shock
- Is this true – or in what sense is it true when it comes to poverty and economic stress?
- Did the disadvantaged groups experience the greatest increase in poverty and stress in the Great Recession ...
 - In absolute terms (an absolute percentage increase)?
 - In relative terms (as a % of starting risk level)
 - Are people with a disadvantaged risk profile now a greater proportion of the poor than they were pre-recession?
- We examine the issue drawing on SILC data and on data from the Growing up in Ireland Survey

Outline

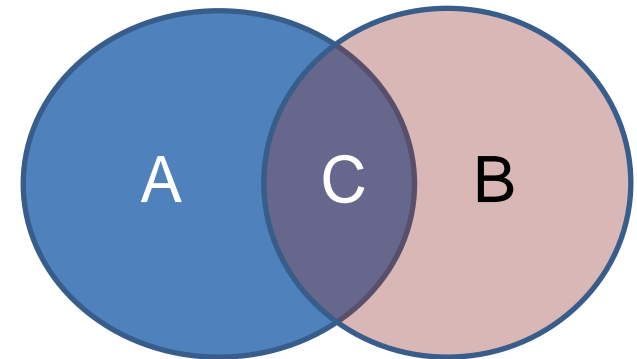


- Poverty trends
- Deprivation by social risk group
- Families before and after
- Summary
- Implications

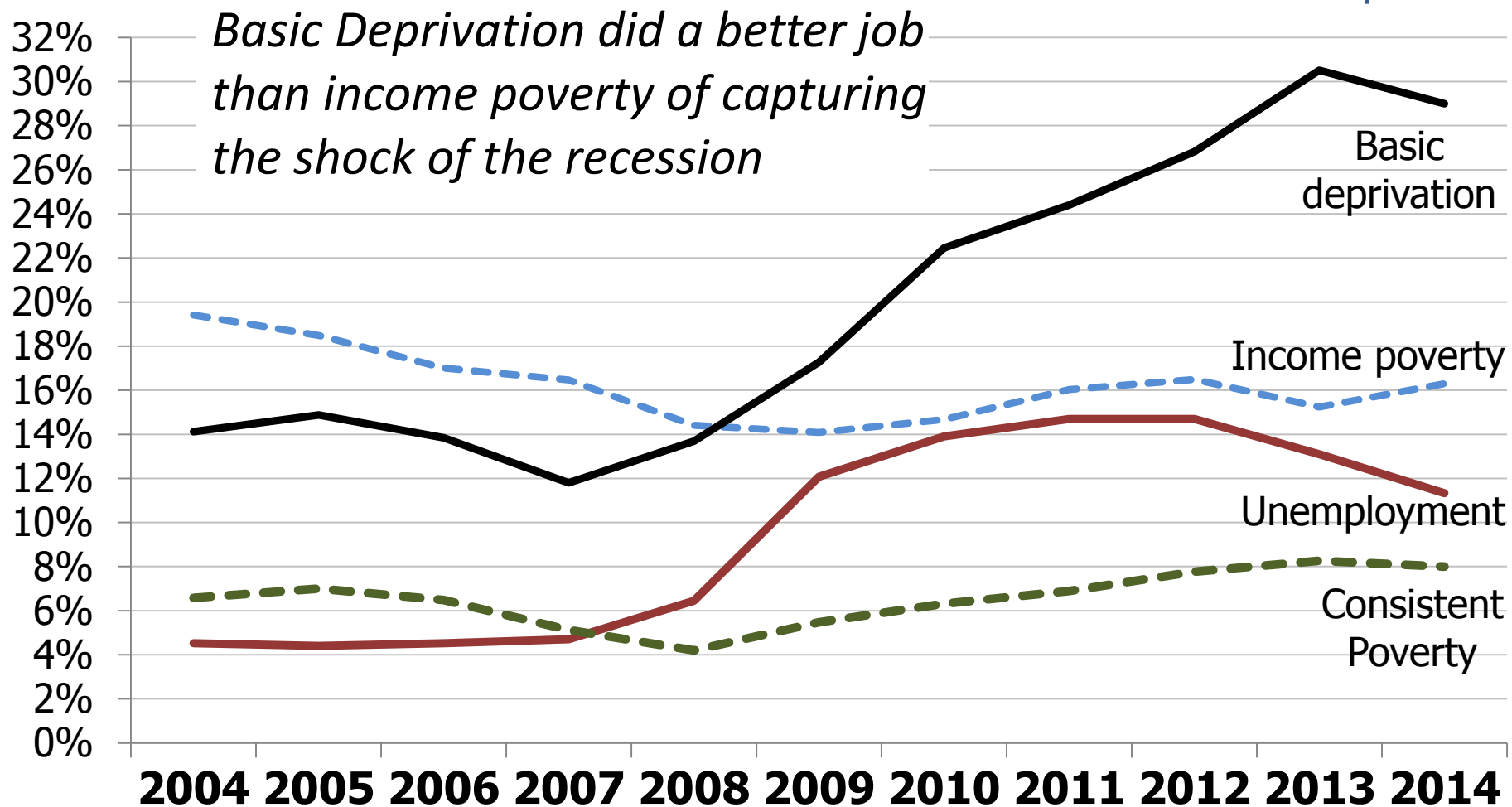
Data & Measurement



- Irish Survey on Income and Living Conditions (**SILC**, CSO, 2004-14)
- **3 main Poverty Measures:**
- **A. Income poverty:** in a household with disposable income below 60% of median (after adjusting for size and composition)
- **B. Basic Deprivation:** unable to afford 2+ of 11 basic goods or services (adequate food, clothing, heating, replacing worn-out furniture, basic social activities)
- **C. Consistent Poverty:** both income poor and deprived



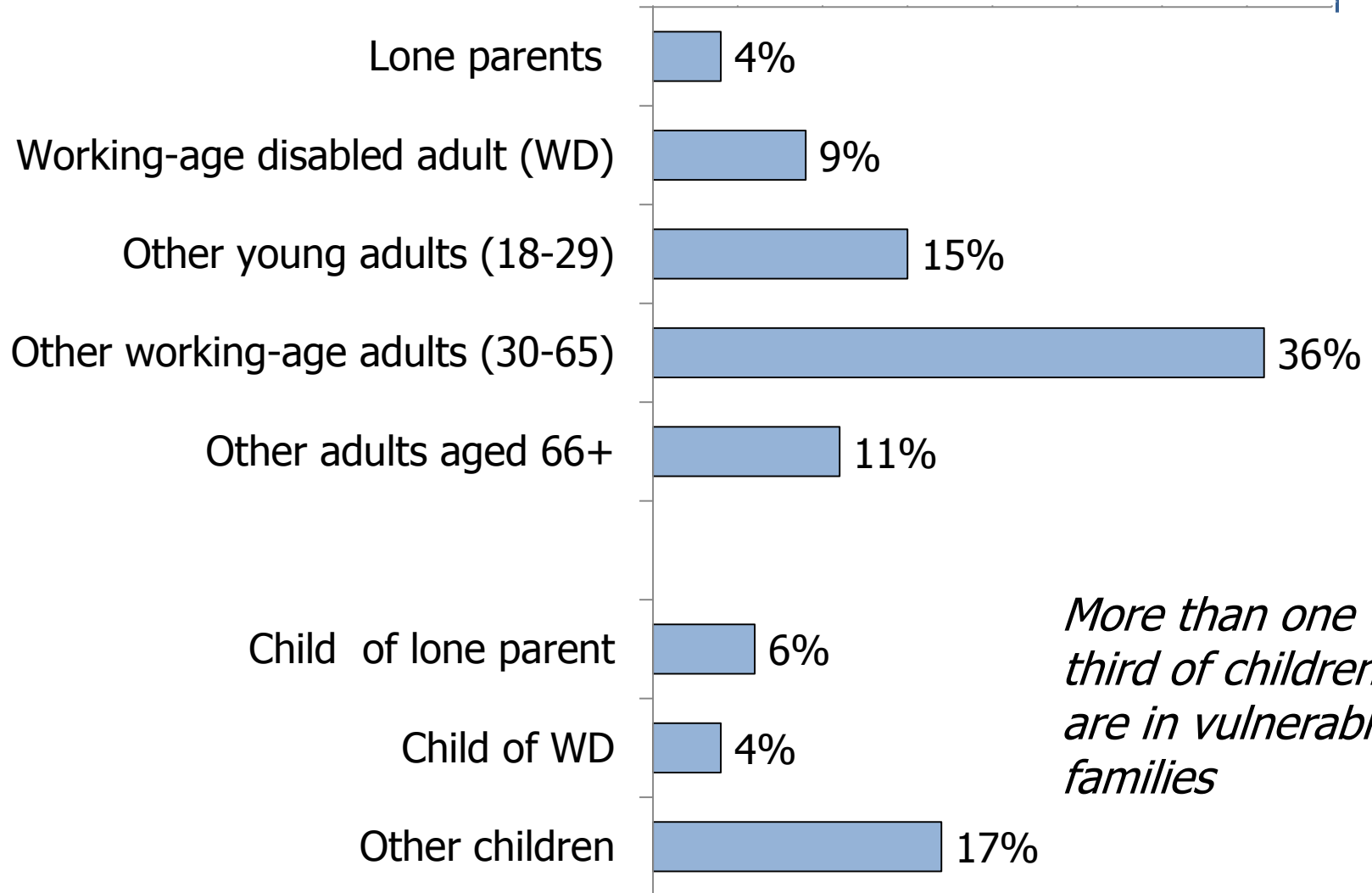
Trends since 2004: Unemployment, Poverty, Deprivation and Consistent poverty by Year (all age groups)



Income poverty: Disposable equivalised income below 60% median

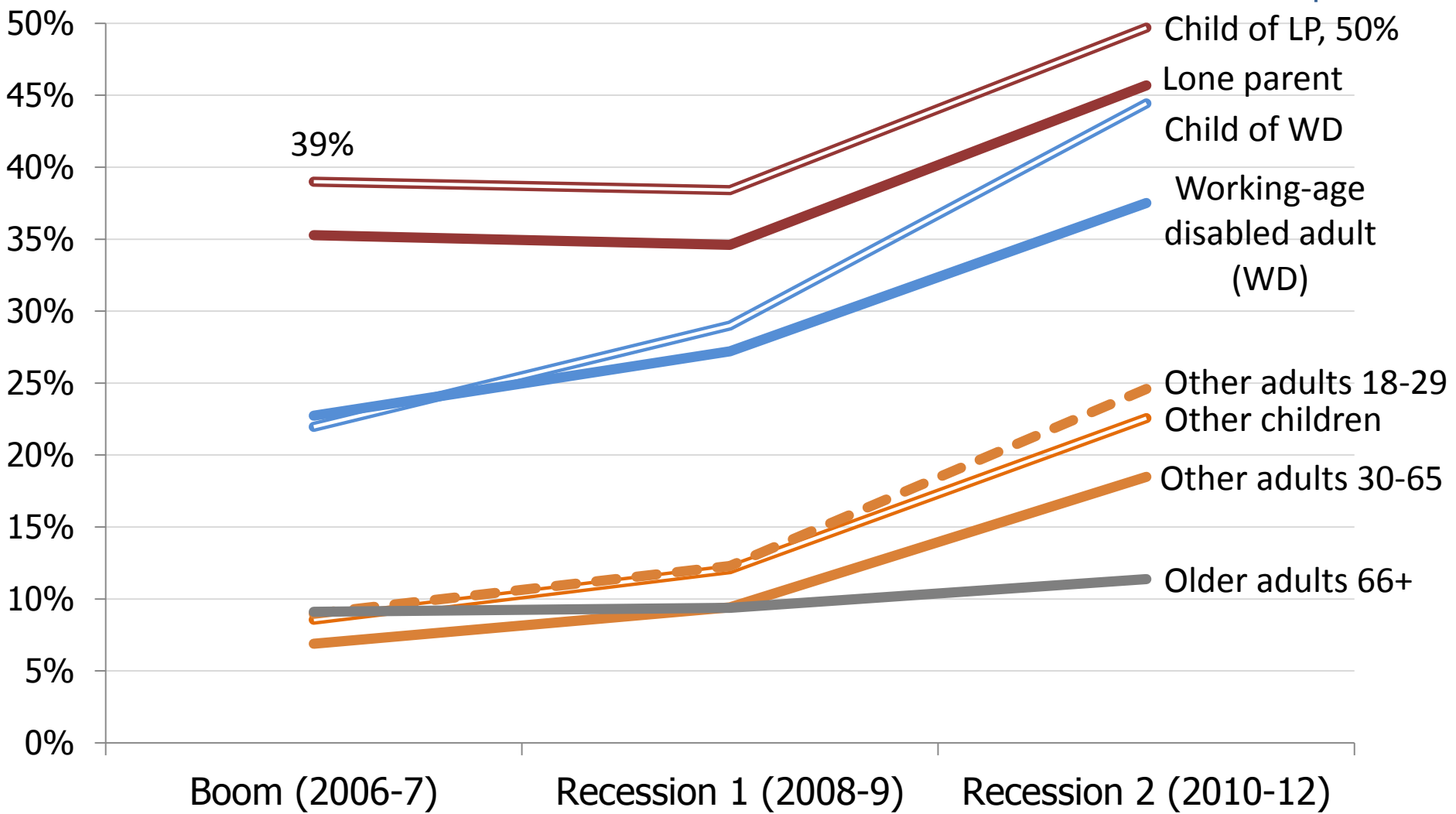
Basic deprivation: Cannot afford 2+ of 11 basic goods services

Social risk groups, 2004 – 2013 - sizes



More than one third of children are in vulnerable families

Social Risk and Trends in Basic Deprivation (up to 2012)



Which group had the biggest increase?



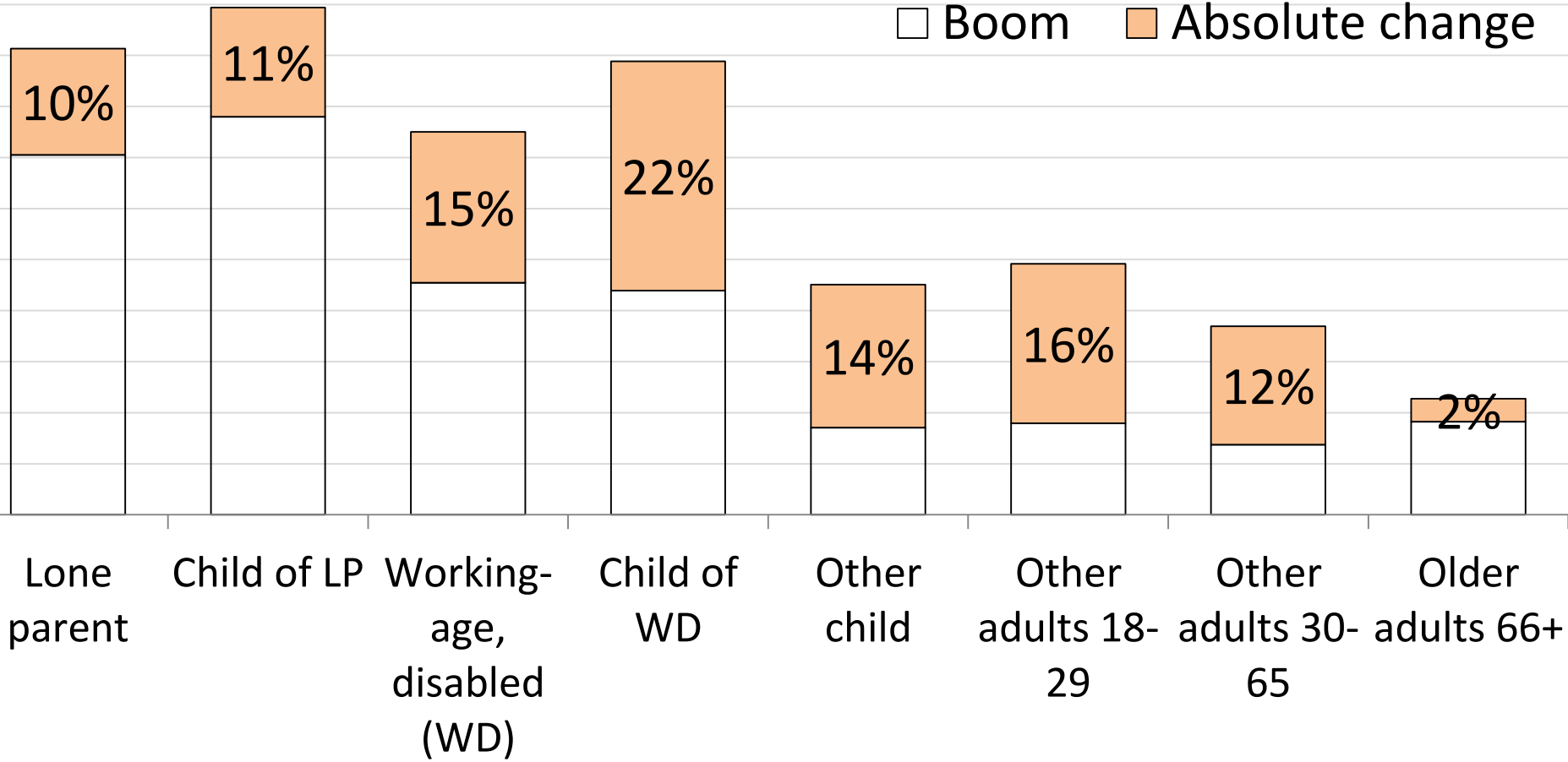
- Answer depends on whether we focus on the absolute or relative increase.
 - Absolute = the percentage point increase in risk, e.g. 5% if risk goes from 15% to 20% ($20-15=5$)
 - Relative = the increase as % of starting value, e.g. 33% if risk goes from 15% to 20% ($(20-15)/15=0.33$)
- A related question is how the social risk composition of the deprived group has changed, e.g. what % of the deprived are lone parents & their children?

Absolute Change in Deprivation Rate from Boom to Late Recession by Social Risk group

(Percentage point increase, e.g. 20-15=5)



□ Boom ■ Absolute change

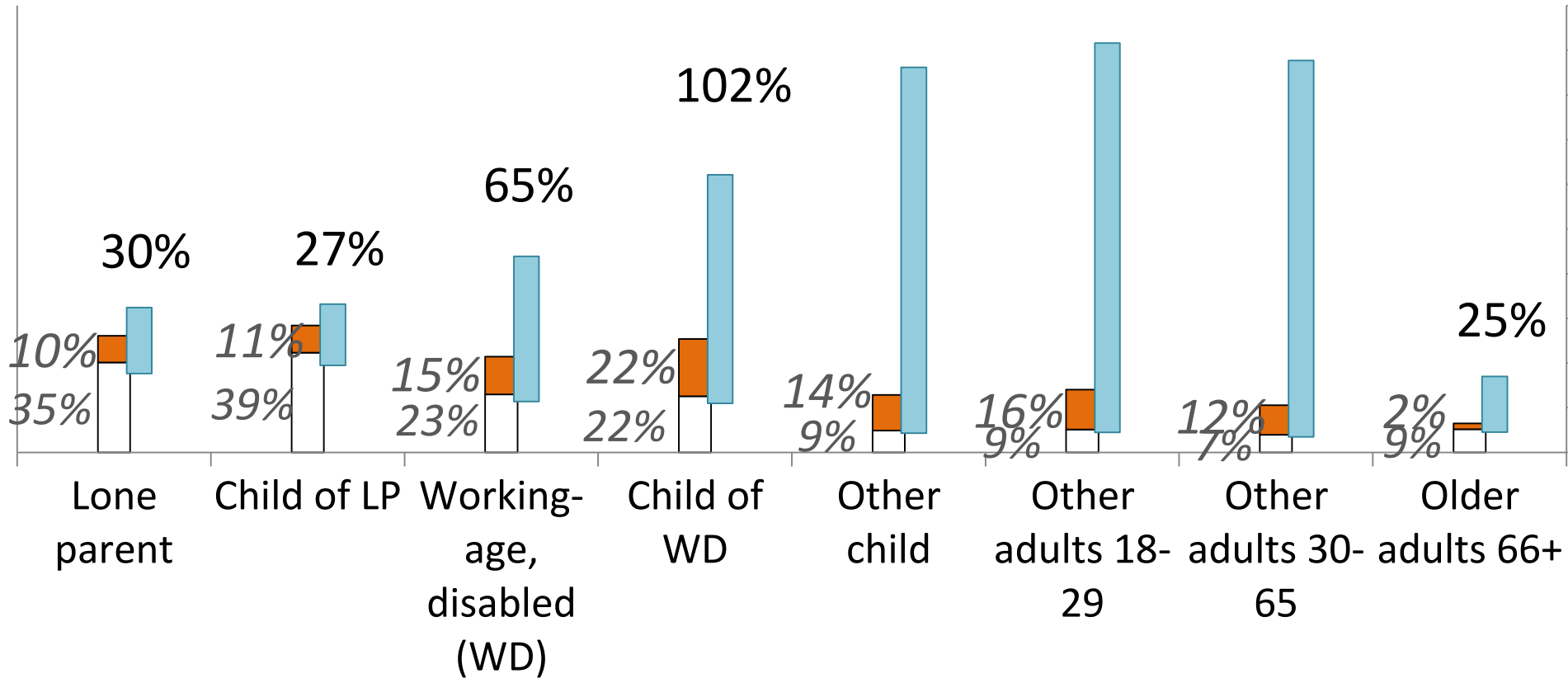


Relative Change in Deprivation Rate from Boom to Late Recession by Social Risk group

(Percentage point increase as % of base, e.g. (20-15)=5/15)

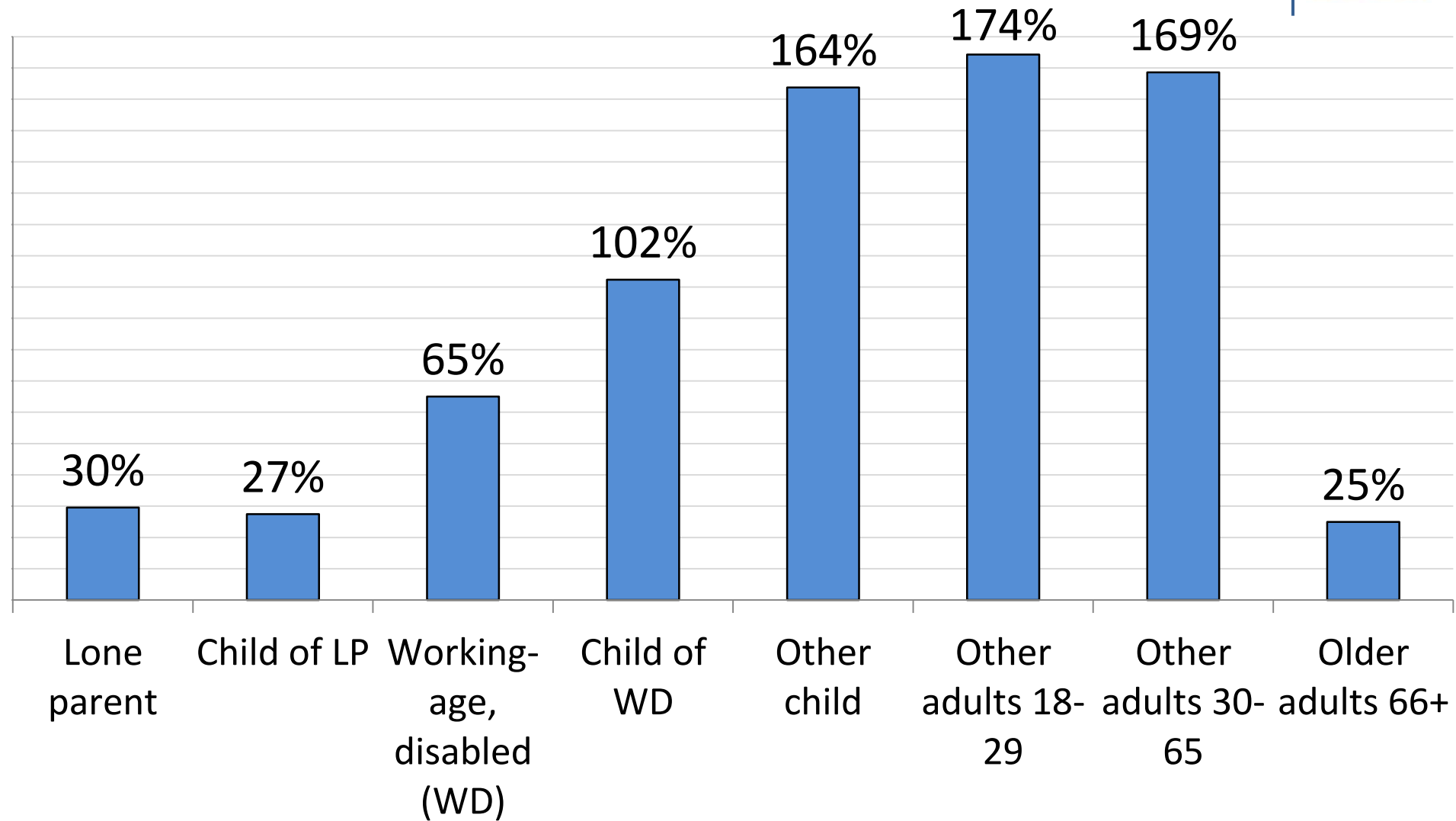


Boom
 Absolute change
 Relative change

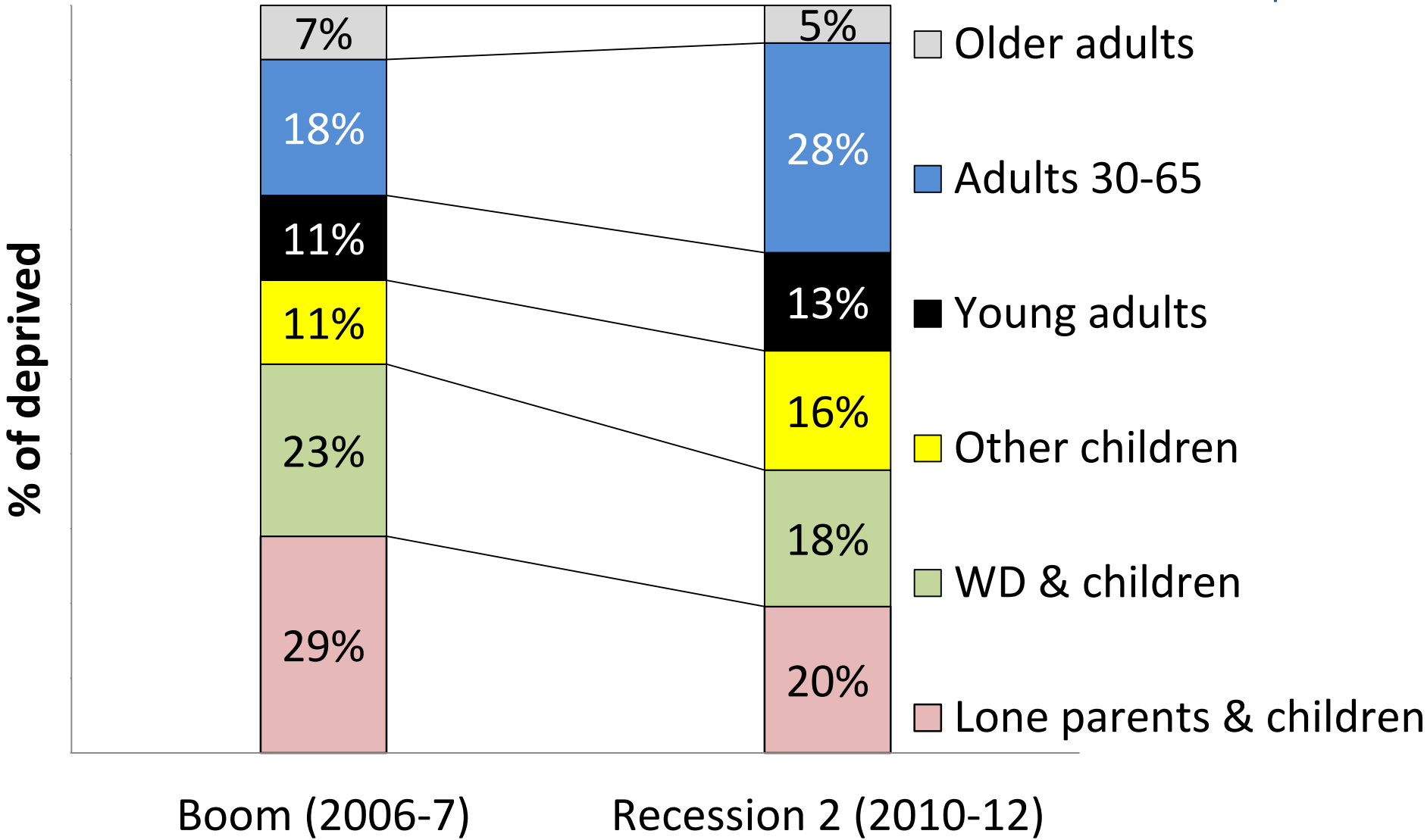


Relative Change in Deprivation Rate from Boom to Late Recession by Social Risk group

(increase as % of base, e.g. $(20-15)/15 = 0.33$)



Change in Social Risk Composition of those who are Deprived between Boom and Late Recession (*% of Deprived*)

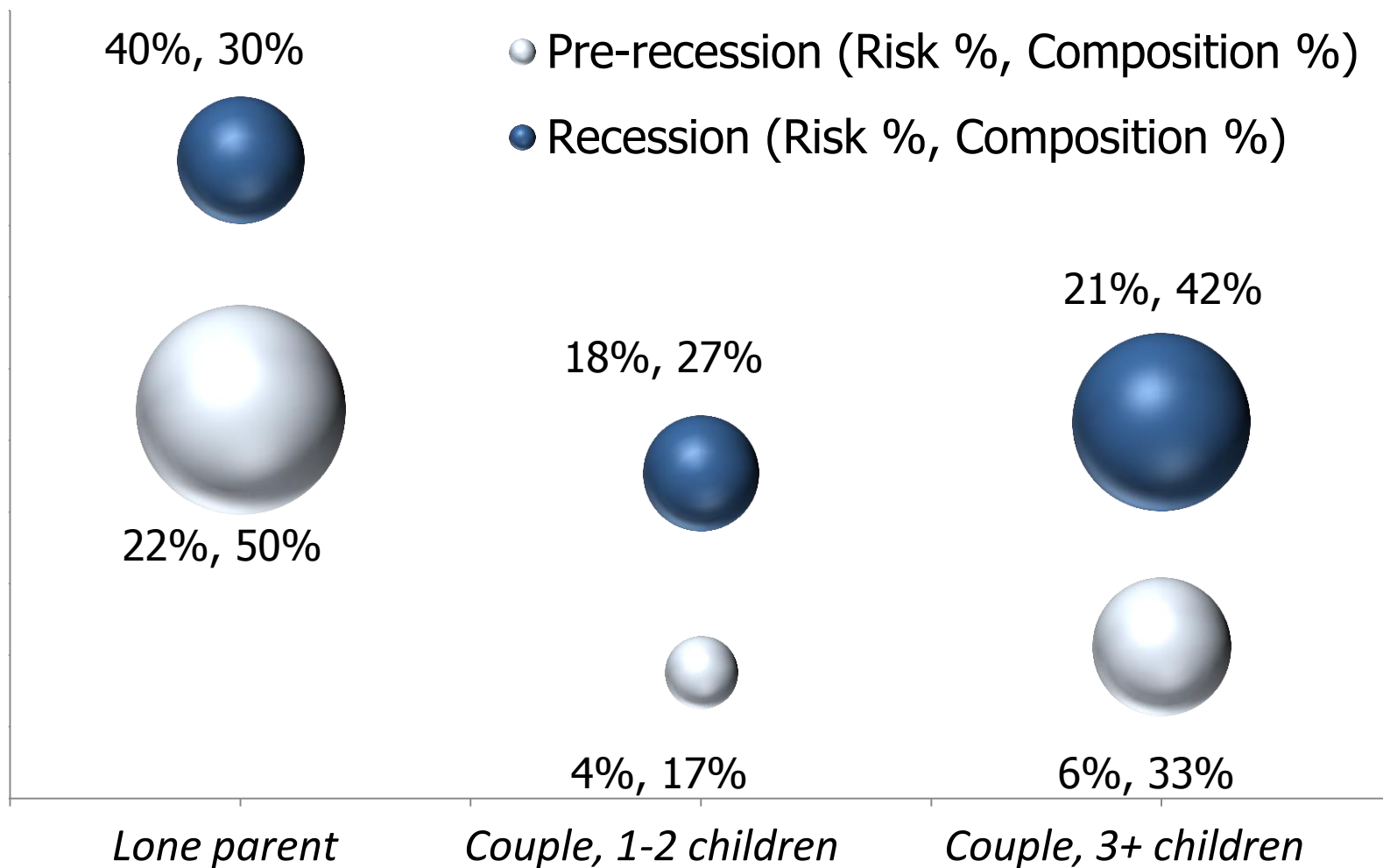


Impact of the recession was quite general



- Impact of the recession was not limited to the most vulnerable families (e.g. lone parents)
- We also see this in the GUI data where we compare the *economic stress* experienced by families before the recession (when the GUI child was 9) and during the recession (when the child was 13)
- Economic stress = difficulty in making ends meet
- Increased for all family types
- Since there are more couple than lone parent families, the increase in stress for this group meant that more of the stressed families in the recession were couple families
- Over 7,000 families interviewed in 2007 and in 2011/12

Economic Stress (Families, GUI data)



Summary



- Trends – Impact of recession most visible in deprivation
 - income poverty affected by falling threshold.
- Deprivation varies by age group and family type
 - Highest for LP & their children, lowest for older adults.
- Deprivation increased for all social risk groups
 - Despite falling unemployment, deprivation remains high in 2014
- Hardship became more general with the recession
 - Increased for all groups
 - Relative increase (from smaller base) greater for those less affected in the boom
 - Because they were large groups, they accounted for a much bigger proportion of deprived/stressed families post-recession
 - Families experiencing hardship post-recession are more diverse

Implications

- More of those who became deprived as a result of the recession came from relatively advantaged backgrounds
- Disadvantaged groups also experienced a deterioration in circumstances
 - Arguably have fewer resources with which to cushion the loss
- The more general profile of those experiencing deprivation and economic stress post-recession suggests policy response must be broader— housing, child care as well as income supports.



Thank you!