



# Welfare resilience in the immediate aftermath of the COVID-19 outbreak in a cross-country perspective

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# Motivation

- Impact of COVID-19 highly different across countries...
- ... as well as the national policy response

*“Governments can prevent a very sharp but short recession from becoming a long-lasting depression”*

*(Saez and Zucman, 2020)*

- Resilience depends crucially on
  - Labour market and socio-demographic characteristics
  - Size and design of existing tax-benefit systems (**automatic stabilisation**) and COVID-related policies (**discretionary measures**)



# Motivation

- Single country studies focus on national specificities
  - EUROMOD\CeMPA Working papers (2020)
    - Beirne et al. on Ireland
    - O'Donoghue et al. on Ireland
    - Figari and Fiorio on Italy
    - Bronka et al. on the UK
    - Brewer and Tasseva on the UK
    - Others !?! Please submit to EM WP series!!!
- Attempt of a EM-based cross country analysis in a decentralised way (i.e. bottom-up approach without central coordination)
  - Difficult but enjoyable
  - Alternative solution (second best?) but not a substitute!



# Country selection (so far...)

- Largest economies or most affected by COVID-19 at the outbreak of the crisis
  - Italy
  - UK
  - Spain
  - Belgium
  - Germany
  - France
- Other countries?!?
  - Happy to include if we find a coherent story! Please contact us!



# The analysis

- EUROMOD 2020, SILC\FRS 2018
- One-month analysis (i.e. mid march 2020 - mid april 2020)
  
- Input data adjusted to take into account:
  - New unemployed
  - New forloughed
  - Informed by
    - external data at micro (i.e. LFS, UKHLS, ...) and macro level (aggregate statistics from social security registers)
    - National laws enforcing the shutdown of economic sectors
  
- Post-COVID policies (March-April 2020)
  - Wage supplementation schemes (EM internal release)
  - Other COVID related policies (e.g. mortgage subsidy for self-employed in IT; mortgage\rent for vulnerable hhs in ES, ....)

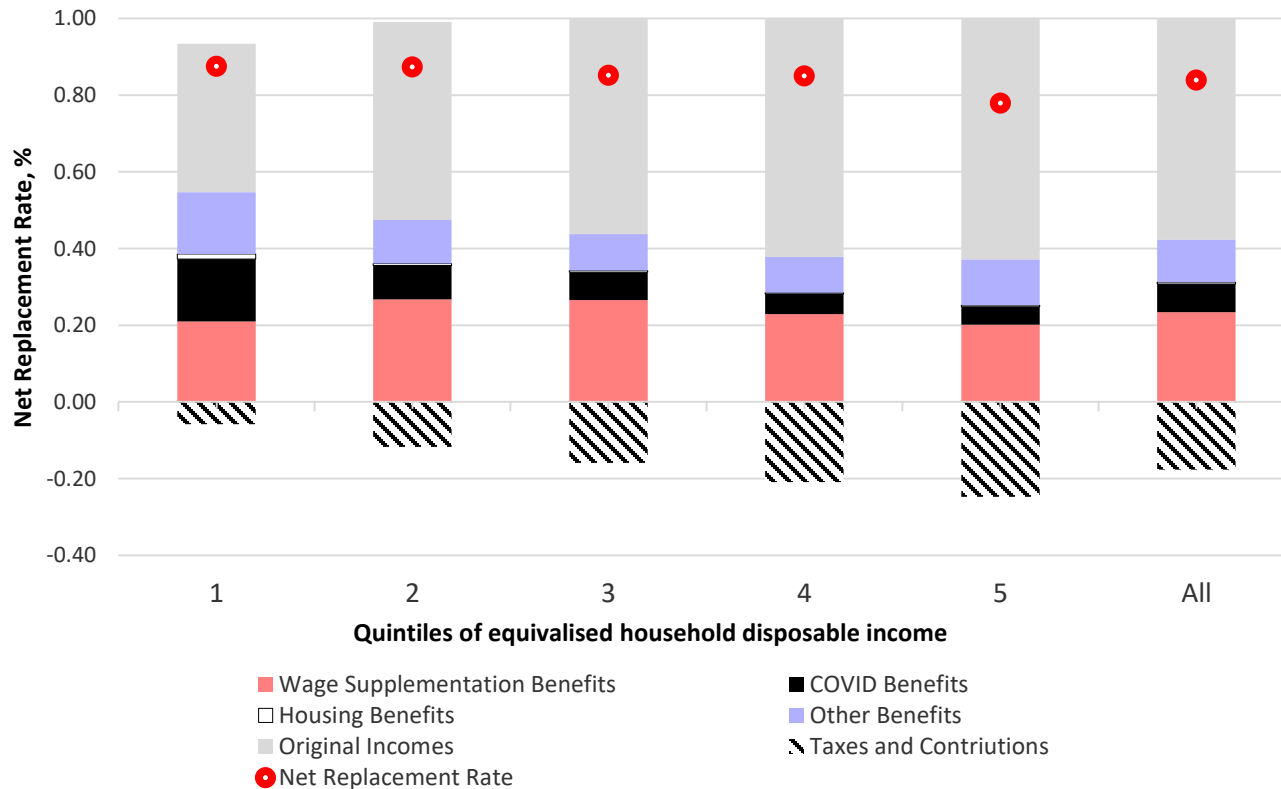


# Related literature

- Stress-test approach (Atkinson 2009, Salgado Fernandez et al. 2014) to assess relative and absolute resilience of the welfare state system
- Determinants of distributional impact: automatic stabilisers vs discretionary policies (Paulus and Tasseva, 2020)

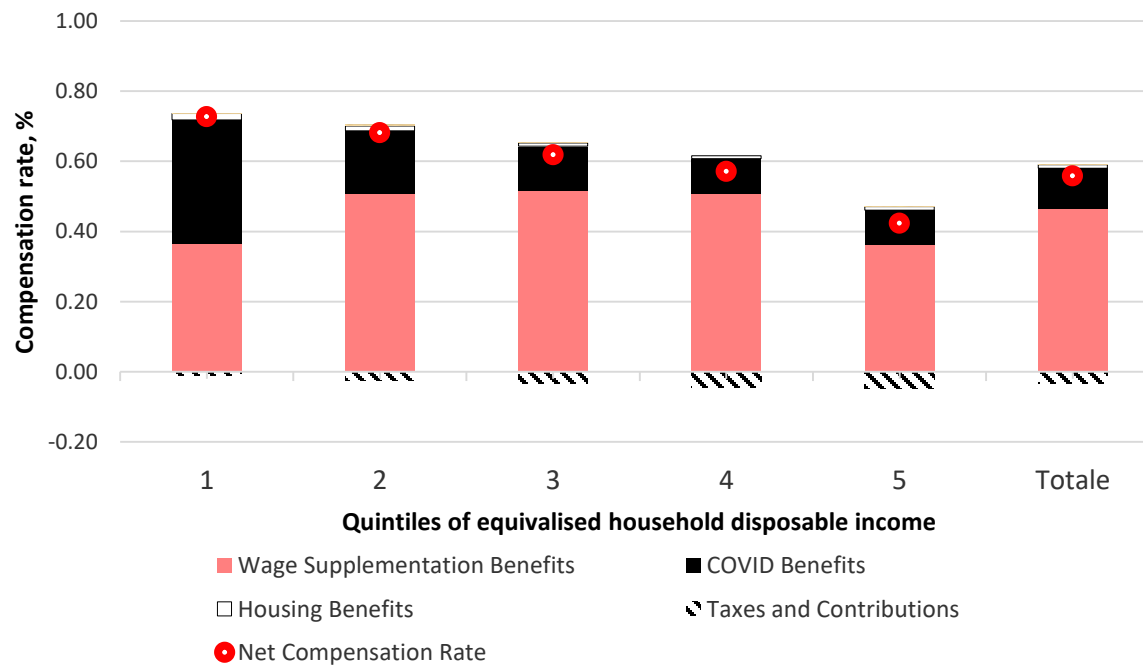
# Policy design and family characteristics

## Decomposition (by income sources) of Net Average Replacement Income - Italy



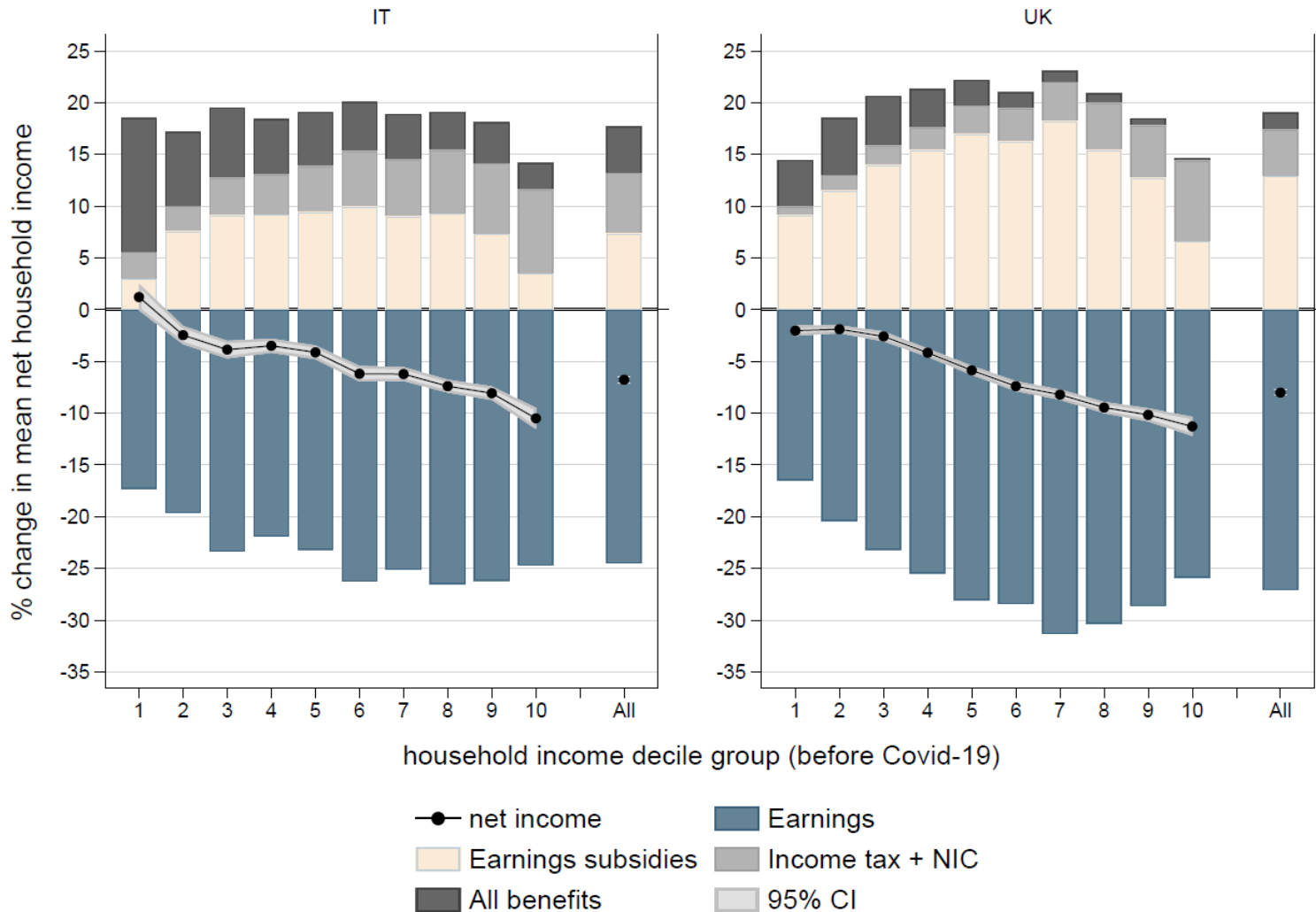
# Policy design

## Decomposition (by income sources) of Net Average Compensation Rates - Italy

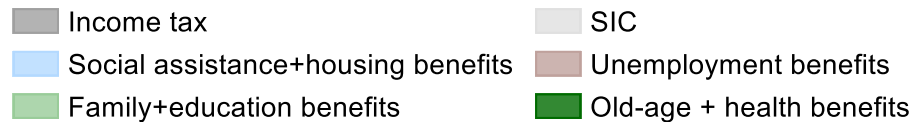
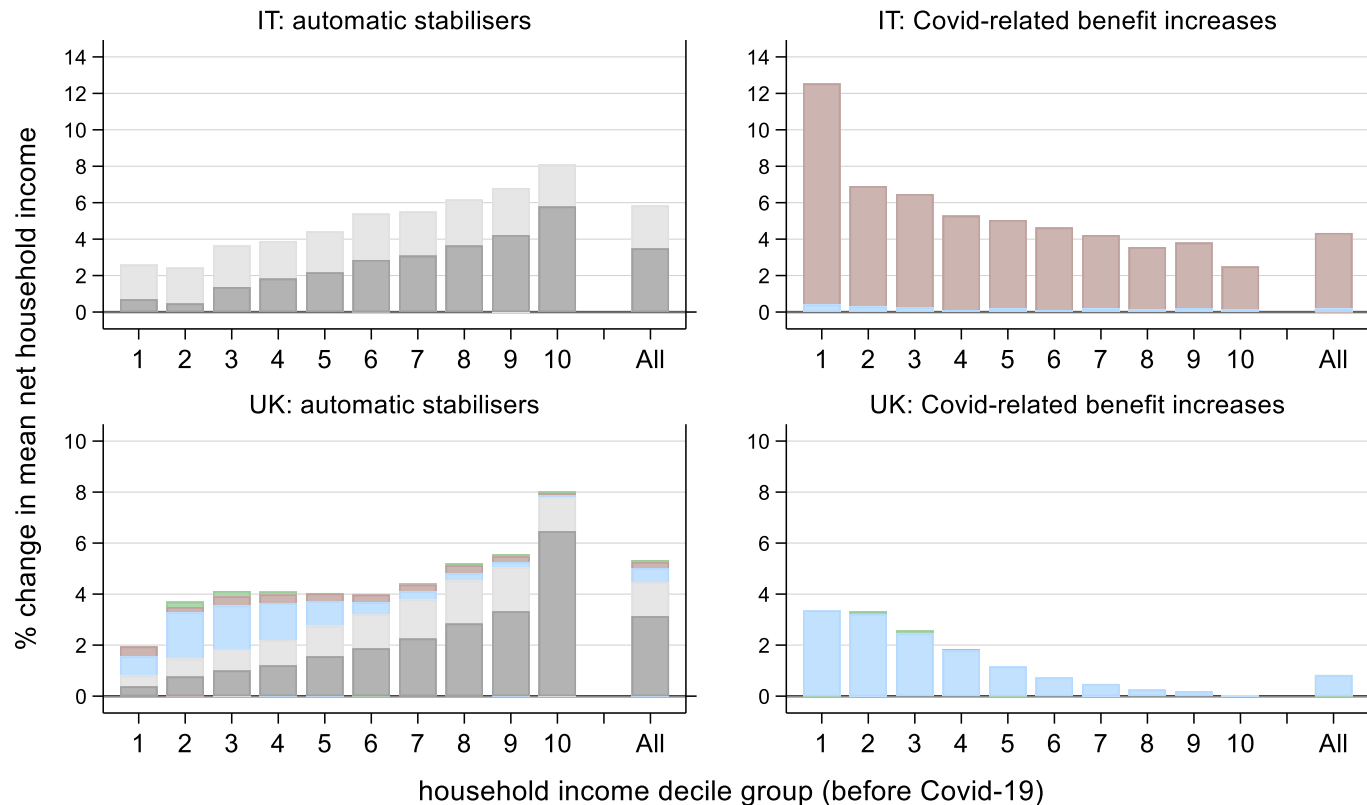




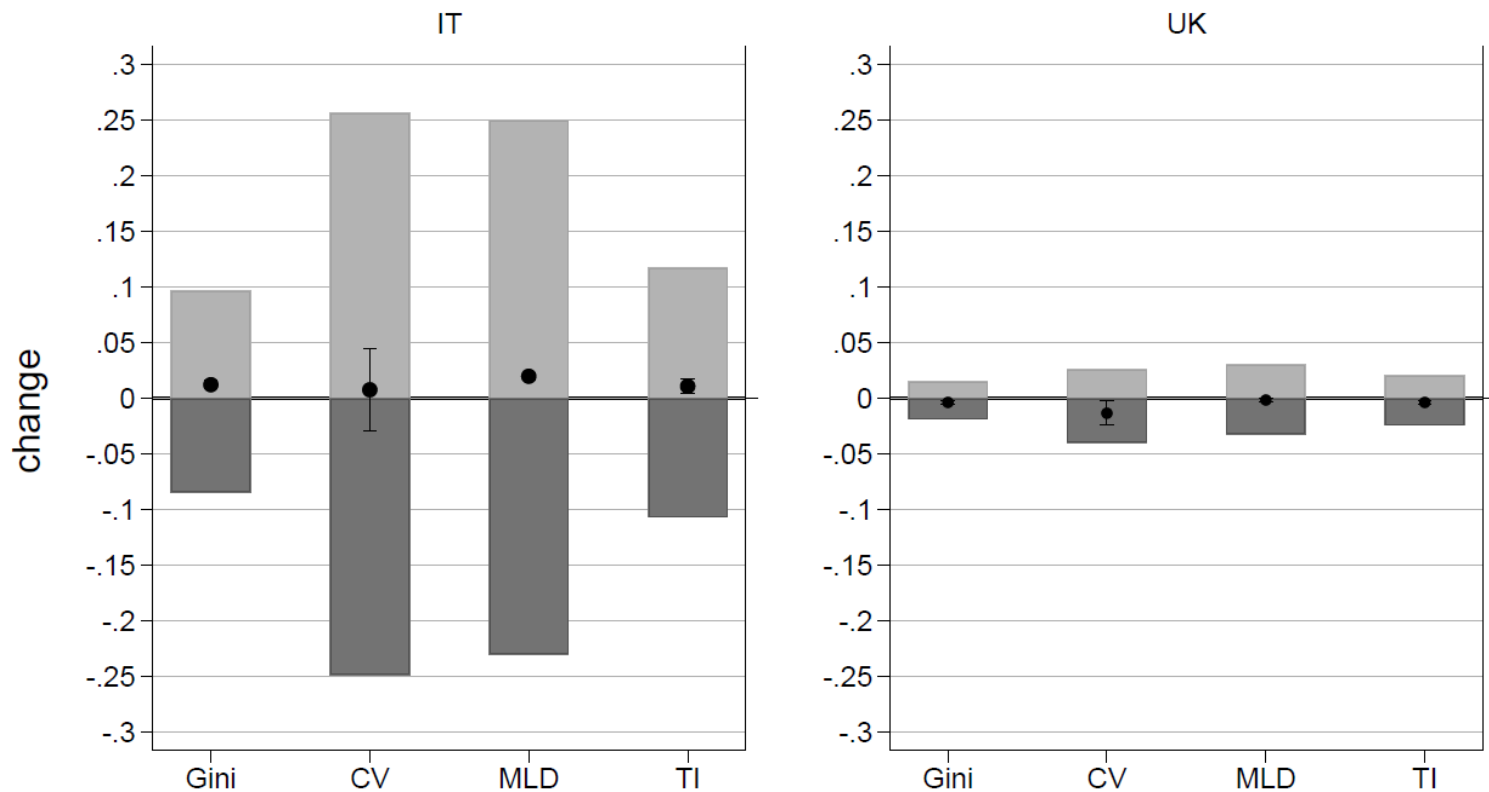
# Disposable income changes by decile



# Automatic stabilisers and discretionary policies



# Impact on Inequality



- Total change
- Earnings changes
- Tax-benefit policies

# Impact on Inequality - Italy

		Pre COVID-19		Post COVID-19	
Gini		0.310		0.322	
Atkinson(1)		0.159		0.176	
within	between	0.011	0.150	0.049	0.134

- Inequality increases
- Higher within inequality only slightly compensated by lower between inequality

Ventiles	Pre COVID-19	Post COVID-19
1	0.133	0.172
2	0.003	0.073
3	0.001	0.040
4	0.001	0.034
5	0.000	0.041
6	0.000	0.030
7	0.000	0.030
8	0.000	0.028
9	0.000	0.030
10	0.000	0.029
11	0.000	0.029
12	0.000	0.033
13	0.000	0.031
14	0.000	0.031
15	0.000	0.033
16	0.000	0.030
17	0.000	0.037
18	0.001	0.033
19	0.002	0.054
20	0.060	0.119

# Impact on poverty

	UK		IT	
	Baseline (in %)	Impact of crisis (change to baseline)	Baseline (in %)	Impact of crisis (change to baseline)
All	16.456***	2.319***	19.074***	4.505***
Women	16.987***	2.271***	19.700***	4.041***
Men	15.910***	2.369***	18.411***	4.995***
Children	20.635***	3.337***	21.221***	8.798***



# Policy lessons

- Limited role of automatic stabilisers
- Categorical support
  - Lack of full coverage (domestic workers, temporary workers, ...)
- Horizontal equity issues
  - Dependent workers beneficiaries of (limited) contributory wage supplementation scheme vs self-employed beneficiaries of lump sum transfers (possibly higher than declared income)

Such evidence backs up the idea that unconditional Basic Income instruments would have made comprehensive compensation possible during the pandemic, without the need of discretionary and temporary policies (Atkinson, 2015).



# Further developments

- Include in the analysis more countries
- Follow policy developments after April 2020
- Use administrative data to identify individuals subject to earning losses and to assess the cushioning role of capital incomes
- Micro-macro linking to enhance the analysis (? Richiardi et al. 2020, QUEST, other macro-models available)