

Panel discussion on  
"Monitoring the effects of financial crisis on vulnerable groups of society"  
OECD Paris 18 March 2009

István György Tóth  
(Tarki, Budapest)

Measuring vulnerability during the crisis



Suggestions:

- Try avoid underreporting AND overreporting as well
- Measure household vulnerability and present data on it
- Keep our eye on medium and long term burdens
- Be innovative in combining statistical sources

### Tendency to overreporting (in public discourse):

- report on registering mass layoff intents
- reports/stories on actually laid off people
- reports on gross layoffs (sweeping everything under „crisis“ accounts and also including „normal“ job destruction)
- figures on inflows dominate over figures on changes of stocks
- much less attention paid to job creation...

### Tendency to underreporting:

- focus on poor/unemployed only (a restriction on the number of those affected)
- focus on „end-of-the road“ and big life turning events

3/6

### Vulnerability:

the probability of suffering a welfare loss (getting onto permanently lower welfare trajectory) by the household due to an exposure to shocks.

It is not poverty itself. It is a potential to become impoverished.

#### The vulnerability indicator could/should:

- ✓ be capable to measure the household's ability to respond when exposed to various covariate and idiosyncratic risks
- ✓ serve as an alert indicator (exposure to shocks today signals negative effects tomorrow)
- ✓ be multidimensional (should indicate the degree of stability in various relevant fields)

#### Elements of vulnerability:

- job insecurity
- income volatility
- financial insecurity (savings/dissavings, unsecured indebtedness)
- asset (housing, pension wealth) value fragility
- risk of human capital depreciation (low skills, bad health, etc)

WB methodological work on vulnerability and social risk management

4/6

**The phases of the crisis and the tendency to push the burden towards future generations: need to keep eye on intergenerational balances**

Crisis area	Financial/banking	Real/production	Social/ employment	Public finance
Dimensions	Savings, investments, pension assets	Income generating jobs	Human capital, social capital	Tax/benefit systems and in kind services
Affected groups now	Asset holders, current and future pensioners, homeowners	Employed (poor and non-poor)	„Usual“/ Traditional vulnerable groups	Cash and in kind benefit recipients
Ways how these affect future generations	Re-emerging claims to reconsider public/private pension portfolios increase strain on tax based public pensions	Poverty risk of active age families (more likely with children)	Child poverty and deprivation in marginalised groups	Potential access restrictions to quality in pre-school institutions, schools and healthcare

5/6

**Further suggestions**

**Instruments (surveys)**

- Integration of financial and social statistics
- Utilize (where available) surveys of consumer finances
- Utilize governmental and non-governmental networks/capacities

**Research**

- Methodological work (development of vulnerability indicators)
- Research on change of norms on inequality of incomes (Atkinson)

6/6