



# Wellbeing Consequences of the Financial Crisis

– A Comparative Research project –

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Welfare and Crisis Management Strategies Project:

## Contents of presentation

- Aim and description of the project
- How countries progressed through the crisis
- General patterns: Unemployment; Financial hardships; Poverty; Income developments; Inequality
- Comparing Iceland, Greece and Ireland
- Some lessons

## Welfare and Crisis Management Strategies:

# Aim of the project

- Part of the Nordic Welfare Watch Program
- Aim to Learn Lessons from Responses to Financial Crises – Nordic and Other European Cases
- Special focus on Wellbeing Consequences of crises and Policy Responses – **Household Focus**
- Also related to **Macro Focus** on Political-Economic Responses and **Initial Positions** of States to Deal With a Big Crisis
  - Welfare Regime in place (strength, generosity; redistribution etc.)
  - Political-Economic Position at start of crisis (Debt levels, Affluence; Employment; Currency Regime; Partisanship etc...)

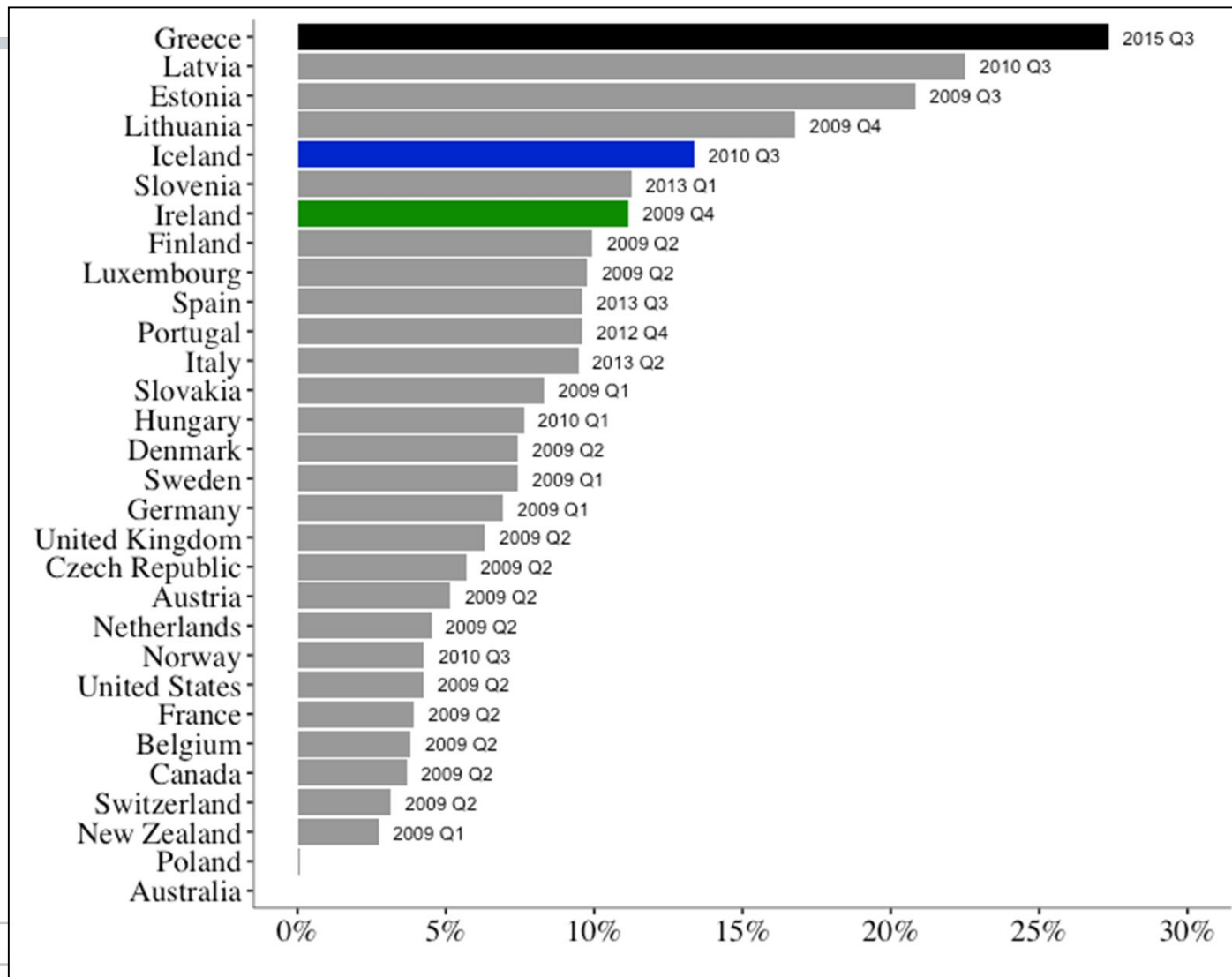
# Welfare and Crisis Management Strategies: Aim of the project

- Organized as a Book Project
- International Research Team:
  - Olli Kangas Finland; Joakim Palme Sweden; Jon Erik Dölvik Norway; Jörgen Goul-Andersen Denmark; Mary Daly Ireland; Fran Bennett England; Ana M. Guillen Spain; Manos Matsaganis Greece.
  - Iceland Team: SÓ; Agnar Freyr Helgason and Kolbeinn Stefánsson
- Report now to Nordic Welfare Watch; Book manuscript sent to international publisher early 2017
- **Comparative studies** of policy responses and wellbeing consequences – and also **Country Studies**
- **How were the crisis burdens shared?** What worked best in ending the crisis and preserving wellbeing?

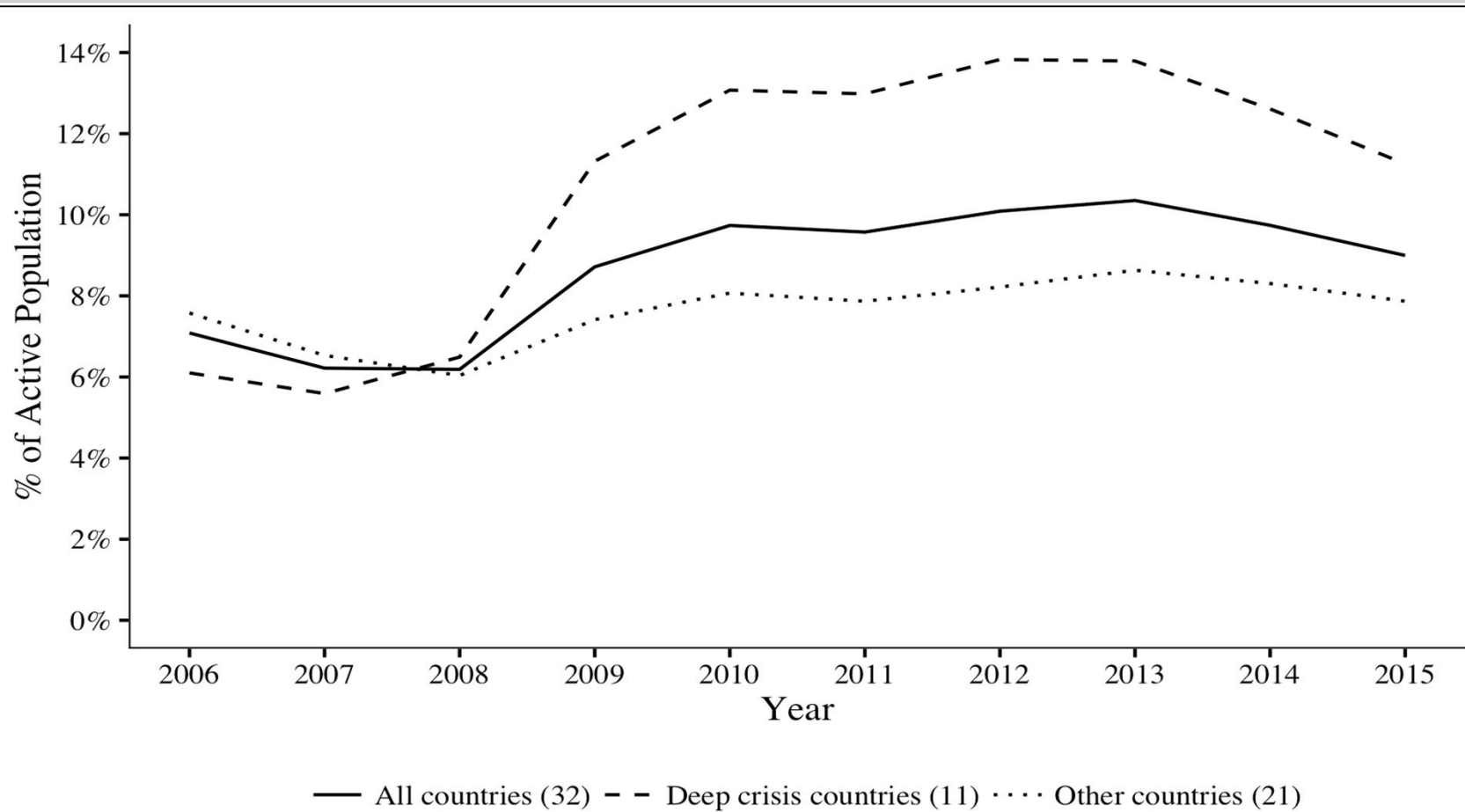
# Profiles of the Crisis

# Broad Contours of the Crisis

Decline of real GDP from Pre-Crisis Peak to Post-Crisis Trough

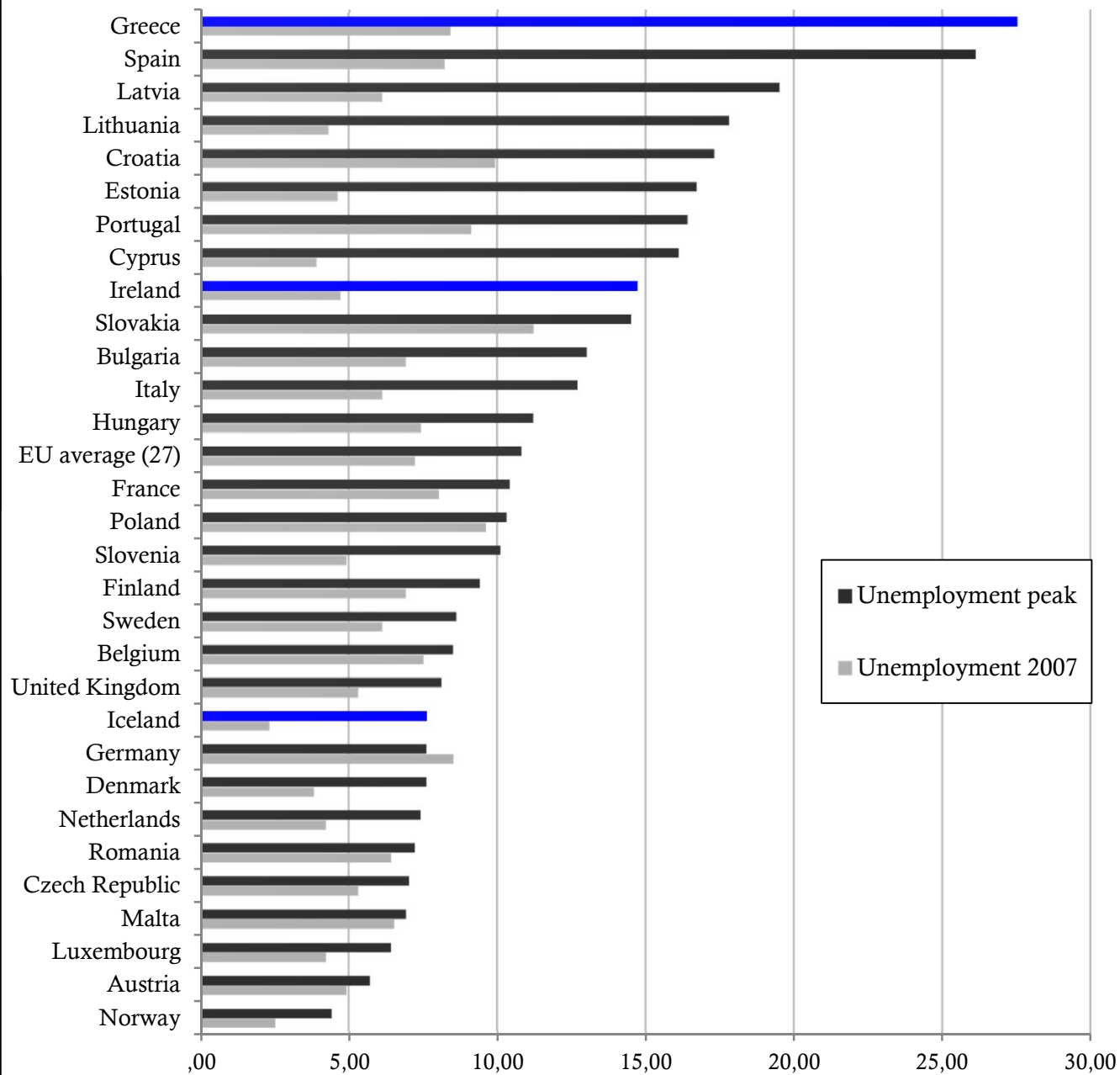


# Unemployment in Western Countries by depth of crisis, 2006-2015



Source: Eurostat.

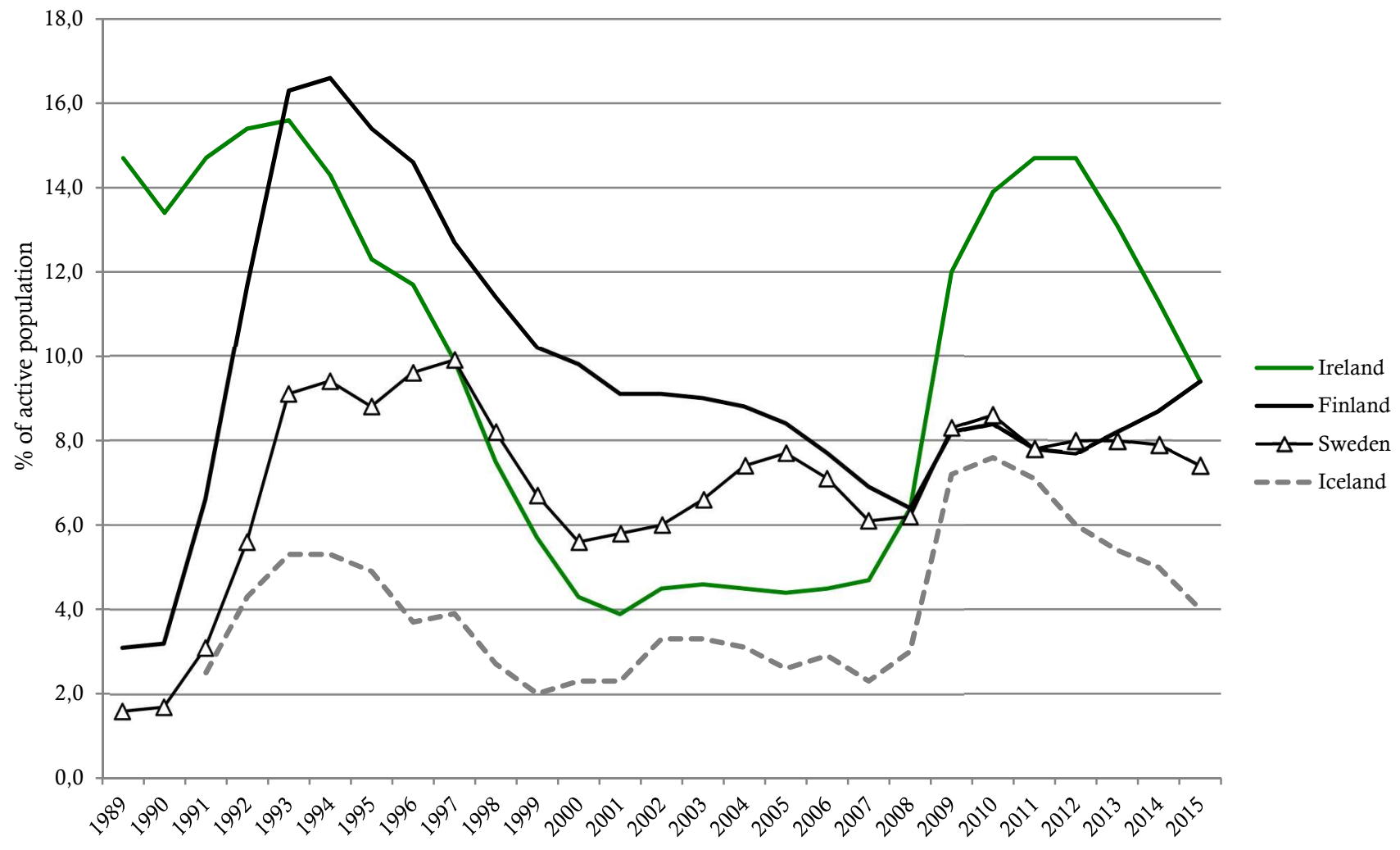
Unemployment peaks during the crisis – and levels in 2007



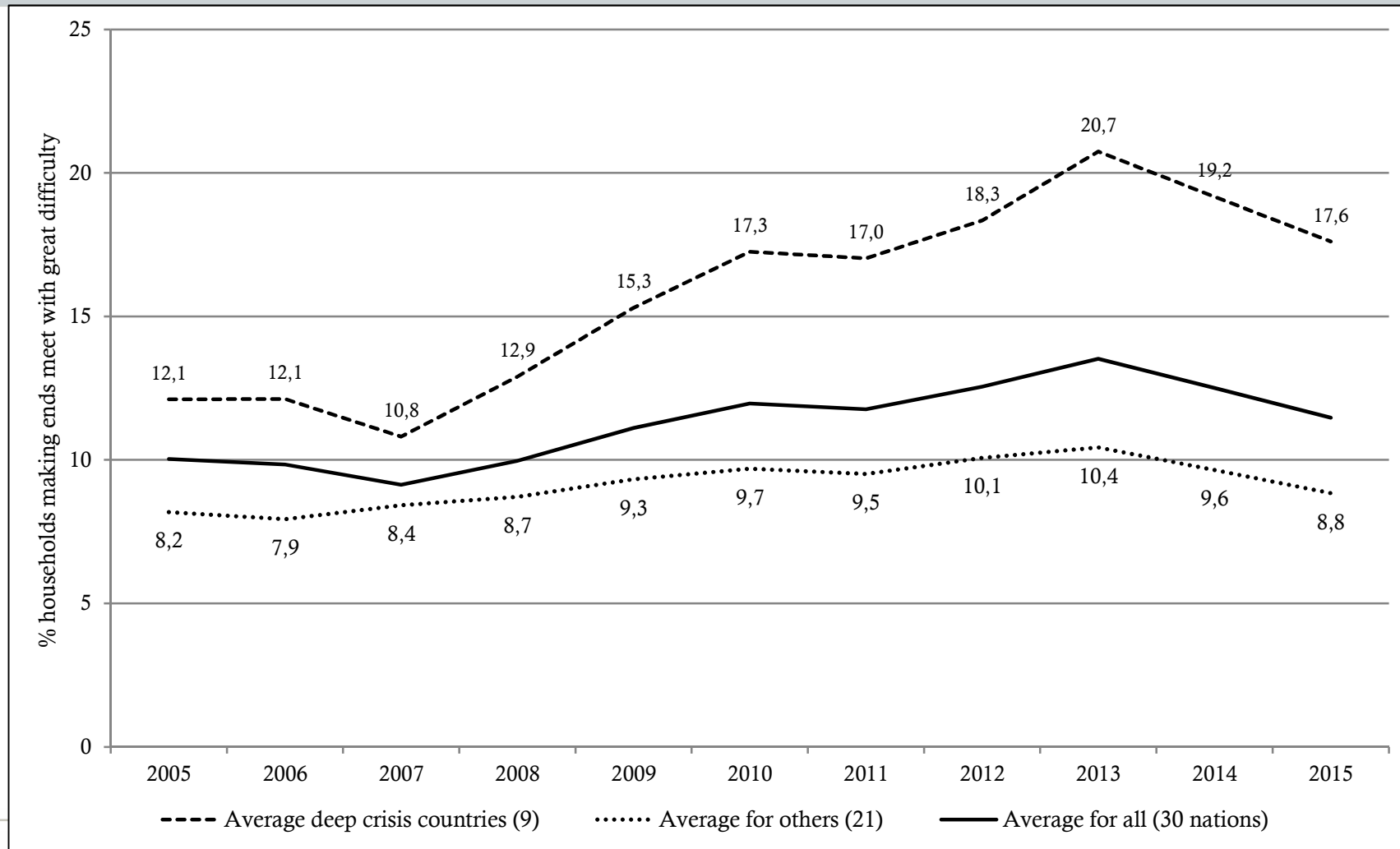


# Unemployment development through two crises

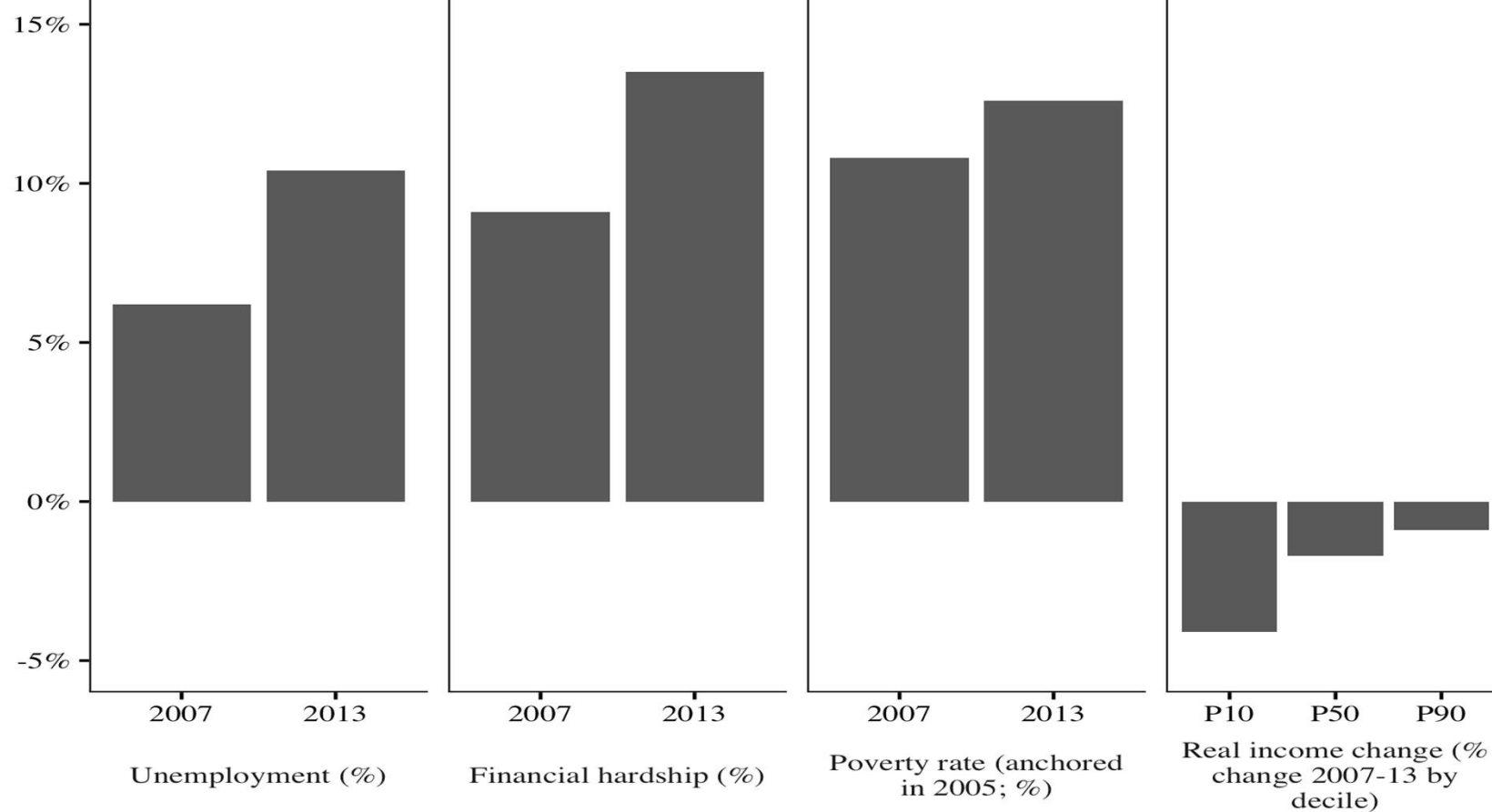
Iceland, Finland, Sweden and Ireland, 1990s to 2015



# Financial hardship, by depth of the crisis, 2005-2015



# Overview of 4 indicators of wellbeing 2007 to 2013



Source: Eurostat, EU-SILC data.

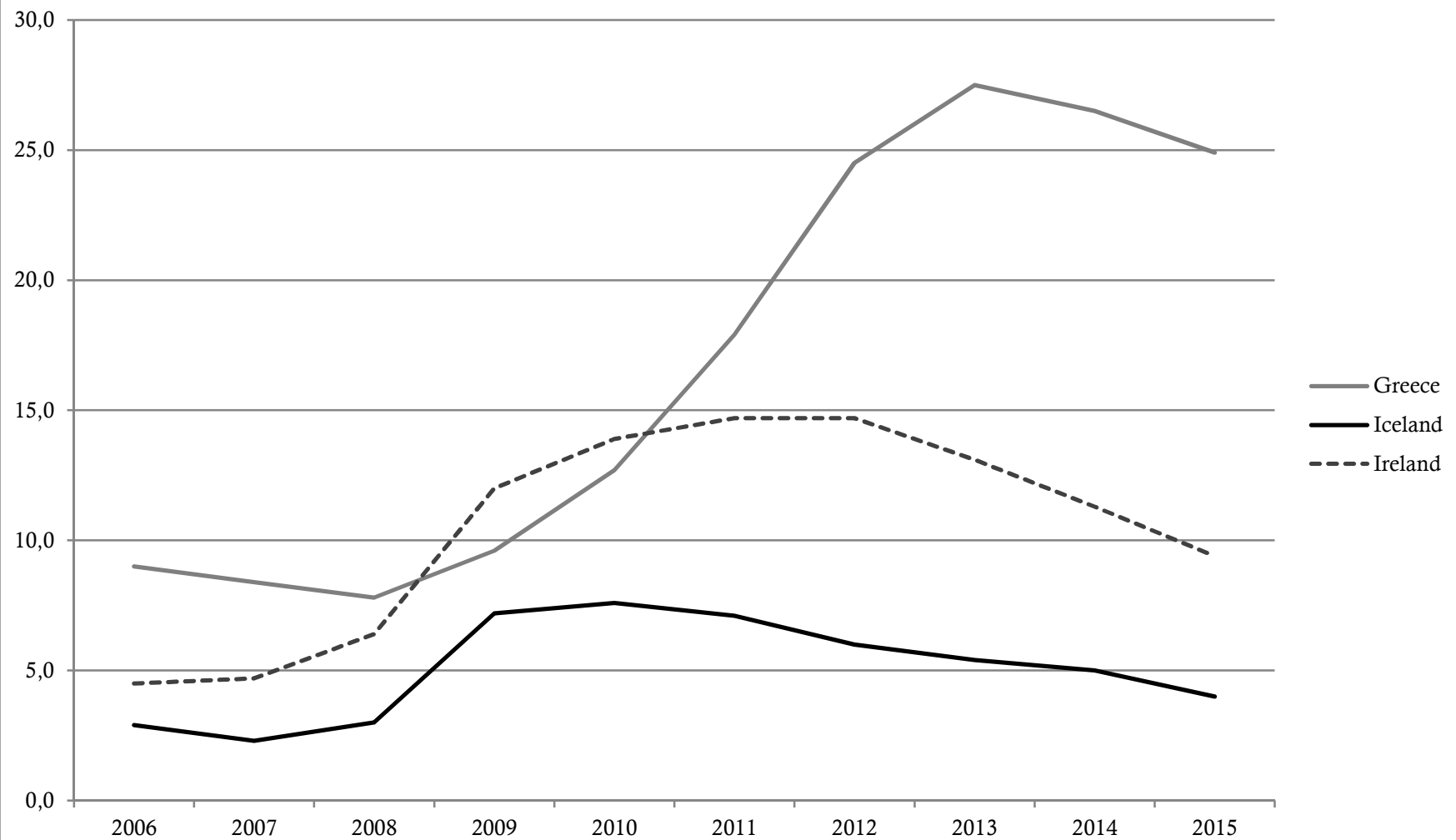
# Comparing Deep-Crisis Countries: Iceland, Ireland and Greece

# Comparative Profiles for 3 Countries

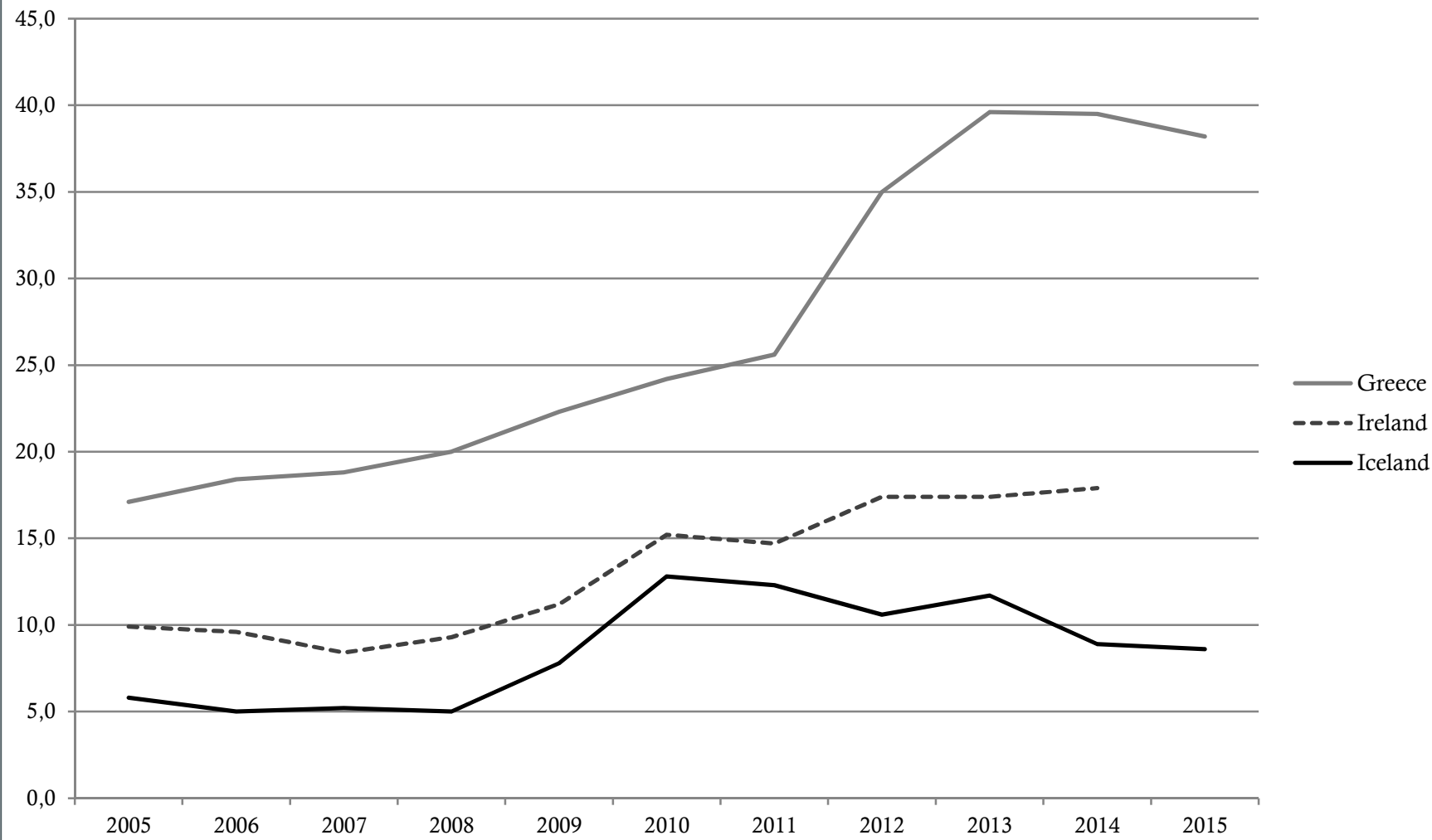
Depth of crisis; Capability; Policy emphasis and Wellbeing Outcomes

	Iceland	Ireland	Greece
<b>Depth of crisis</b>	Very deep	Very deep	Deepest
<b>Initial position before crisis:</b>			
Welfare regime	Strong	Average	Weak
Public debt	Low	Low	High
Poverty	Low	Average	High
<b>Crisis policy emphasis:</b>			
Austerity measures	Medium	High	High
Redistribution with taxes and transfers	High	Low	Medium-high
Equalizing income distribution	High	Low	Low
Full employment emphasis	High	Medium	Low
Devaluation of currency	High	None	None
<b>Wellbeing outcome for households:</b>	Best	Medium	Worst

# Unemployment development through the crisis: Iceland, Ireland and Greece

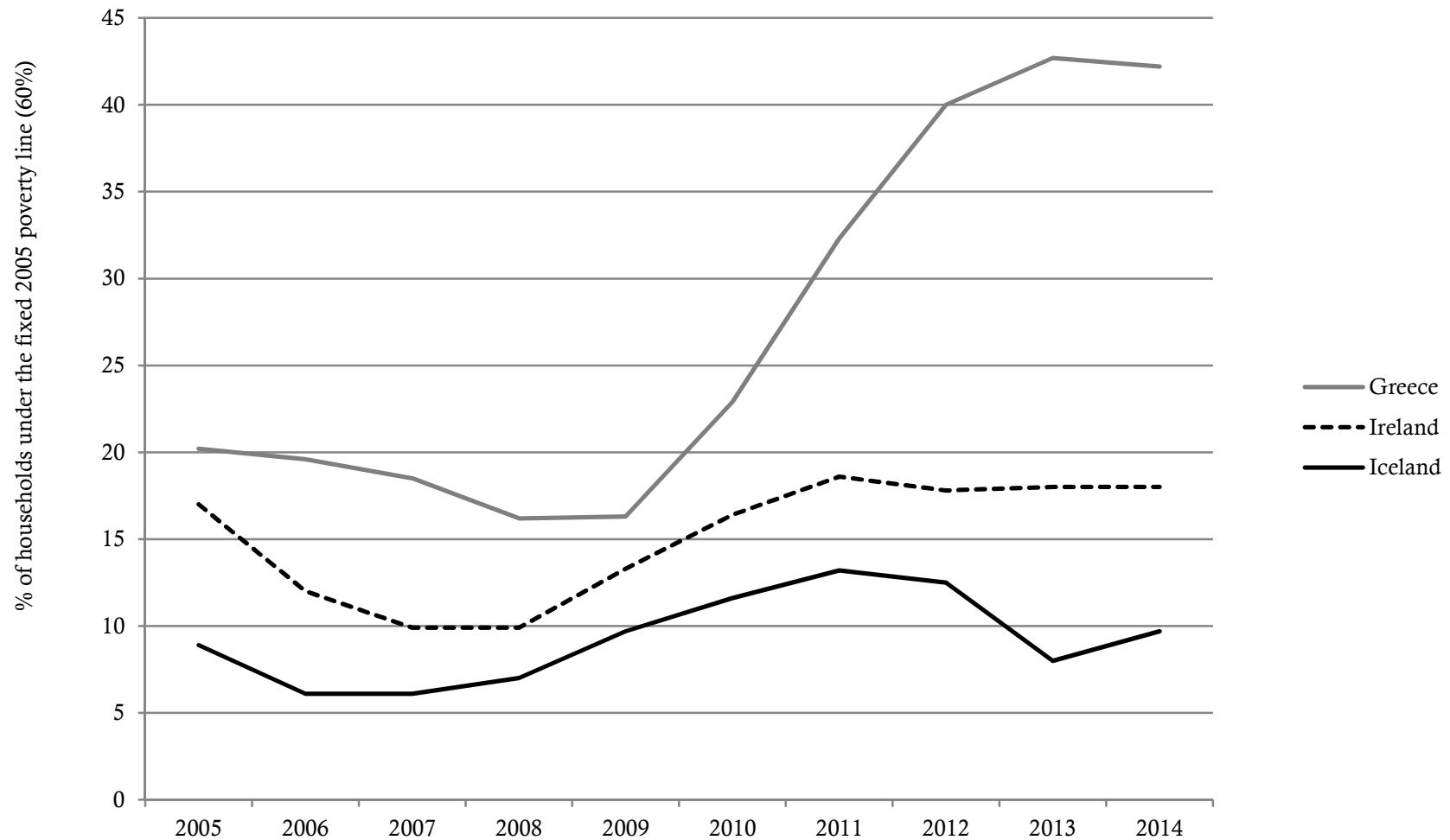


# Financial hardship development through the crisis: Iceland, Ireland and Greece



# Poverty development in Iceland, Ireland and Greece, 2005-2014

Relative to the fixed 2005 poverty line (anchored)





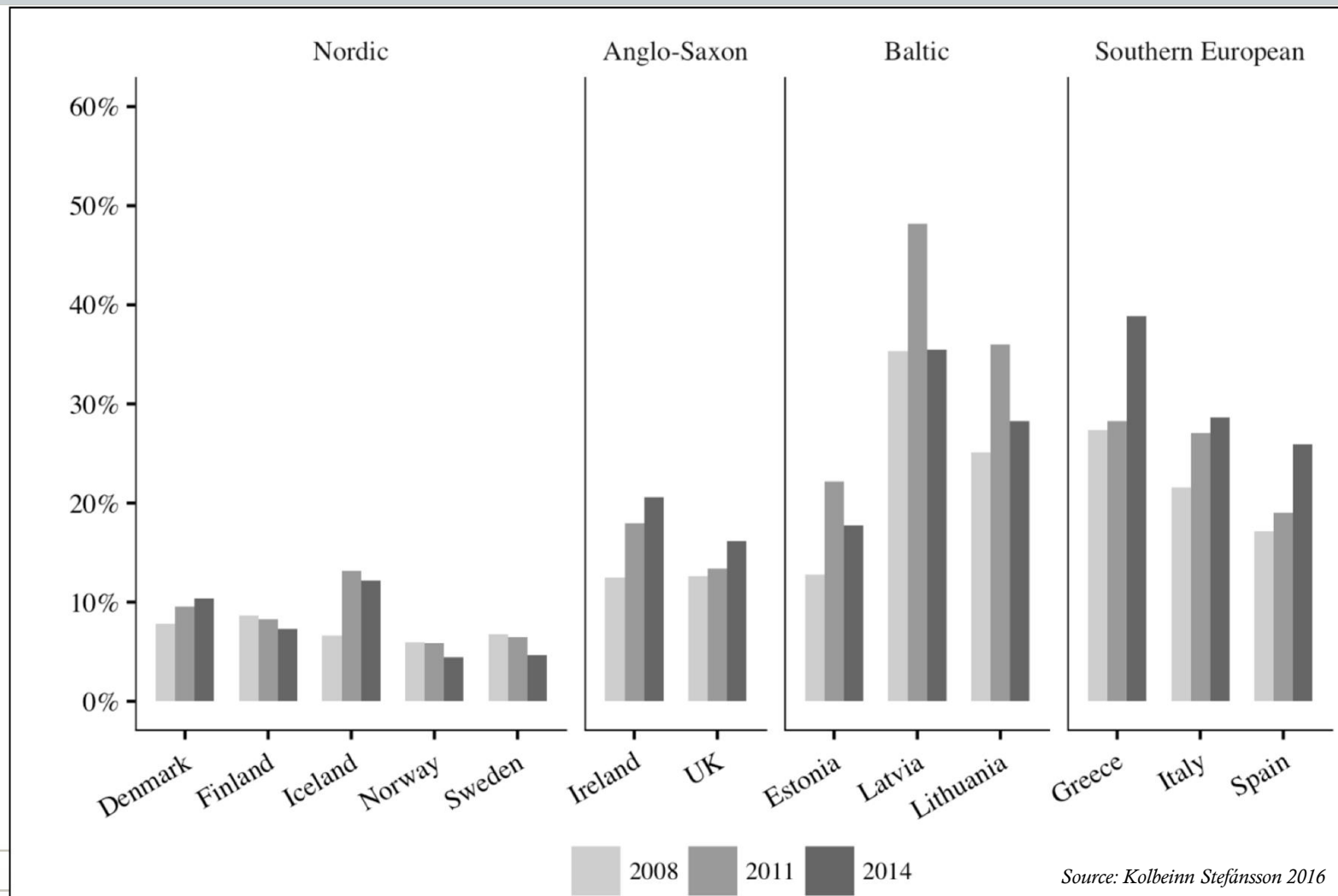
# Wellbeing outcomes and some explanatory factors

- Wellbeing outcomes correlated to a range of **institutional** and **initial positions** factors indicate:
  - 1. Depth of crisis explains most
  - 2. Welfare regimes come second
  - 3. Debt position of government is third
  - 4. Other factors had less explanatory value

# Comparing Welfare Regimes

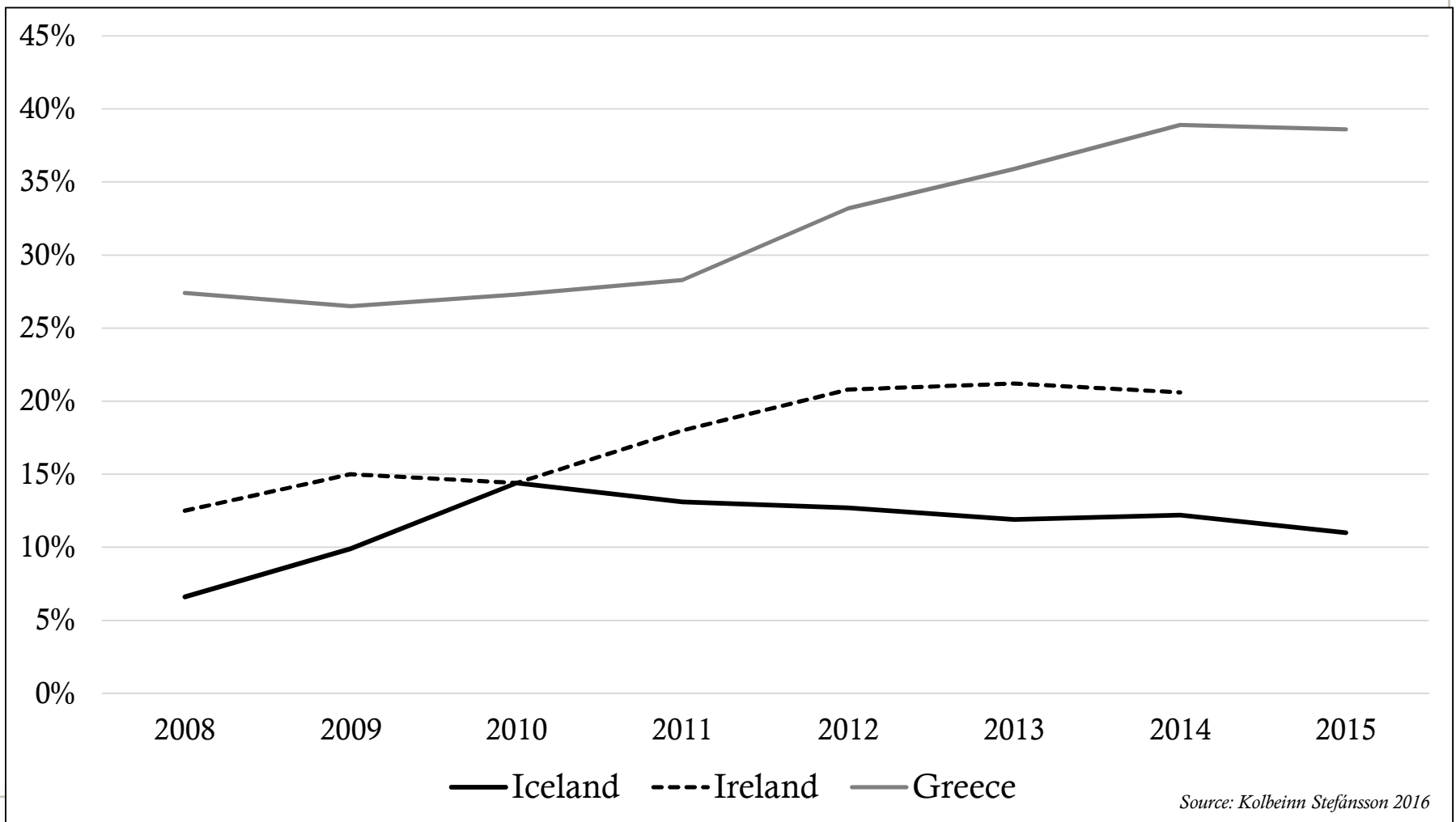
# Economic vulnerability, by welfare regimes: 2008, 2011 and 2014

Indicator=Material deprivation+low income+financial hardship



Source: Kolbeinn Stefánsson 2016

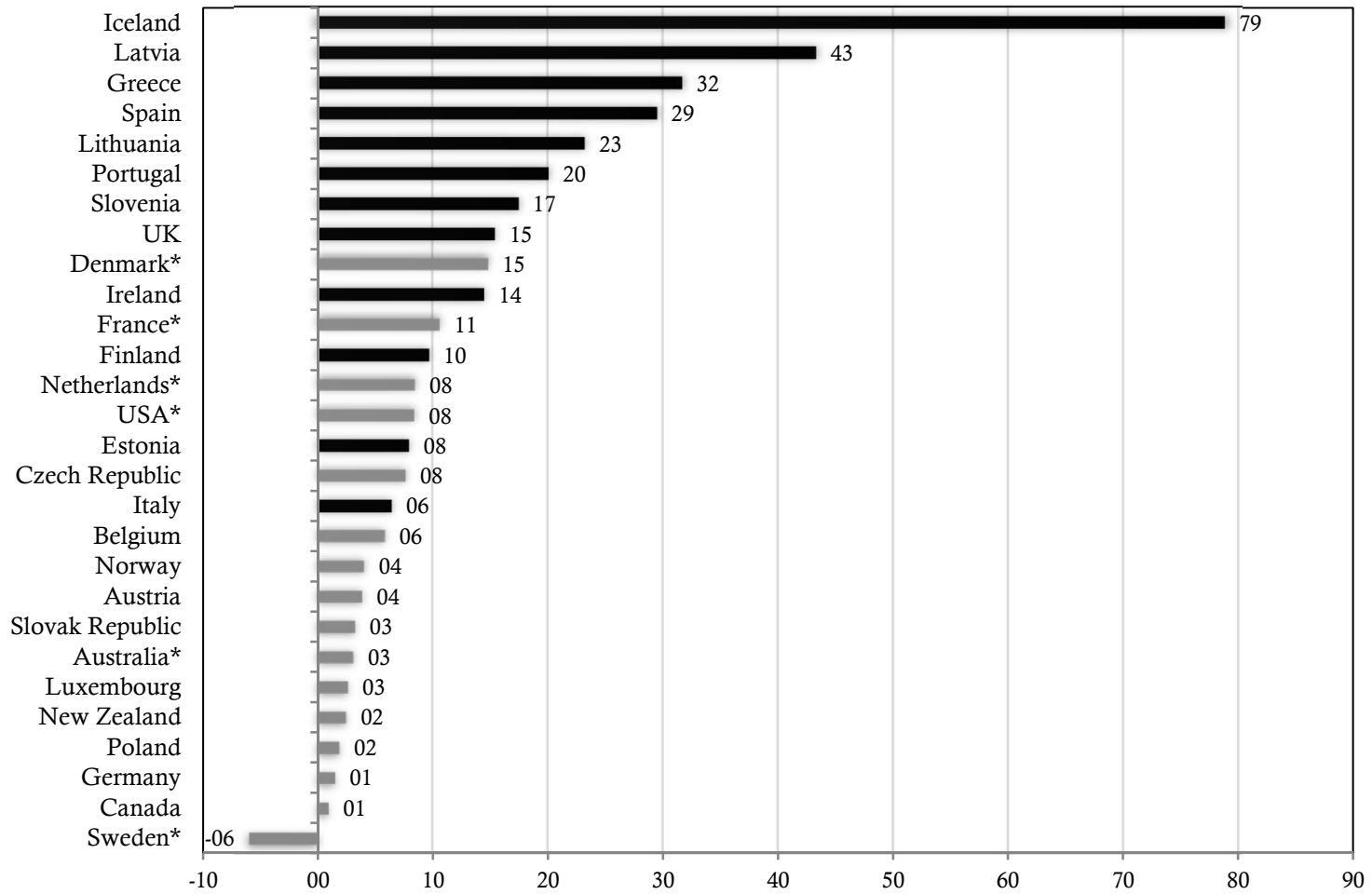
## % Economically Vulnerable 2008-15: Iceland, Ireland and Greece Compared



# Some policy indicators

# Sharing the burdens

Increased redistribution with taxes and transfers

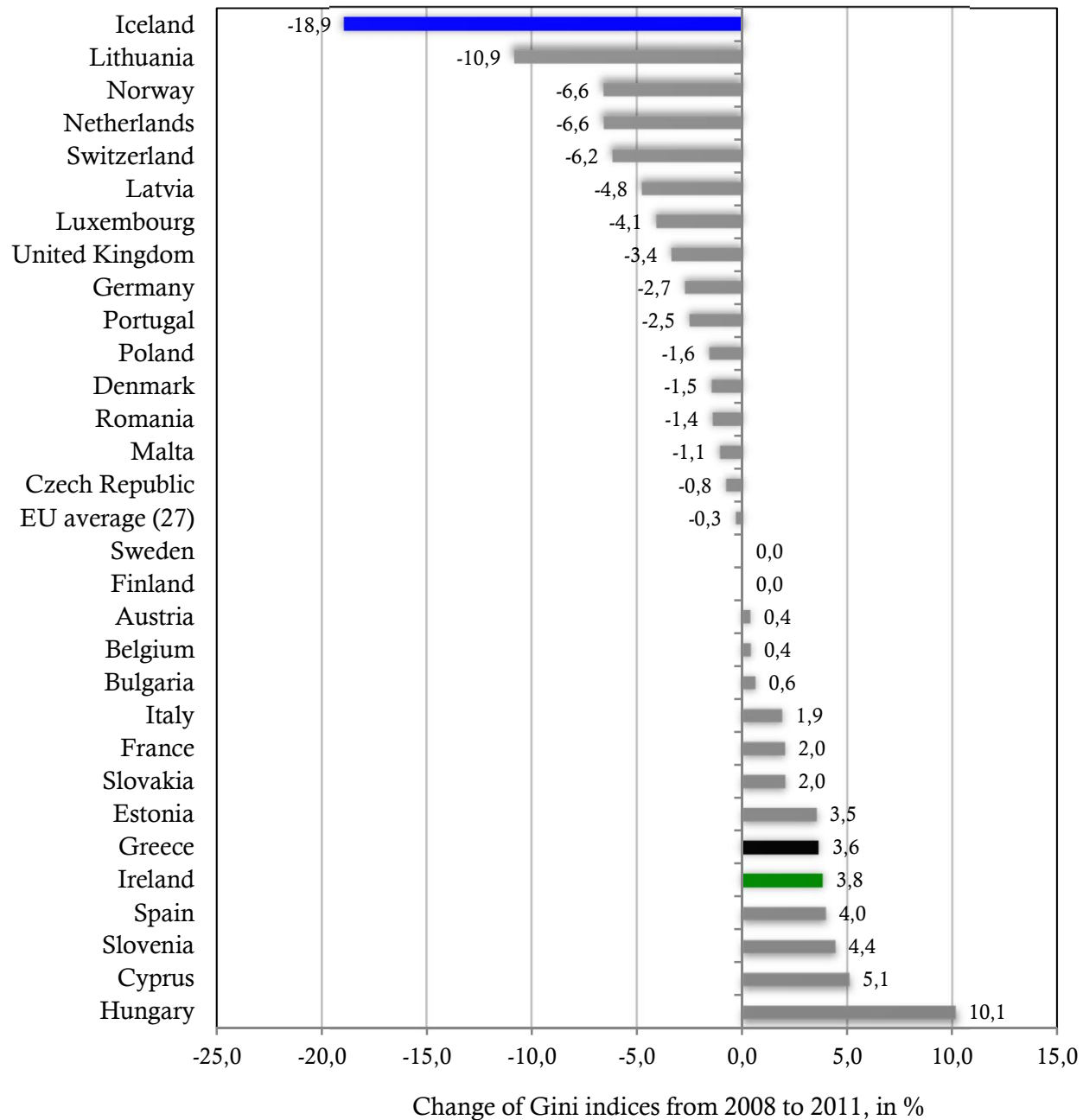


Net redistribution of taxes and benefits: Increase from 2008 to 2012 (% of level in 2008)

# Iceland's Strategy of Redistribution

- This is what was **most special with the Icelandic approach** to crisis management:
- Welfare expenditures were expanded and redirected more towards the lower and middle income groups
- Aim: To shelter the more vulnerable
- **Tax burden** of higher income groups was raised, lowered for others
- **Benefits directed at lower income groups** were specifically increased – to avoid increased poverty
- **Debt relief** for lower and middle were prioritized
- **Activation** and job creation were increased greatly
- **Devaluation** helped keep a higher employment level

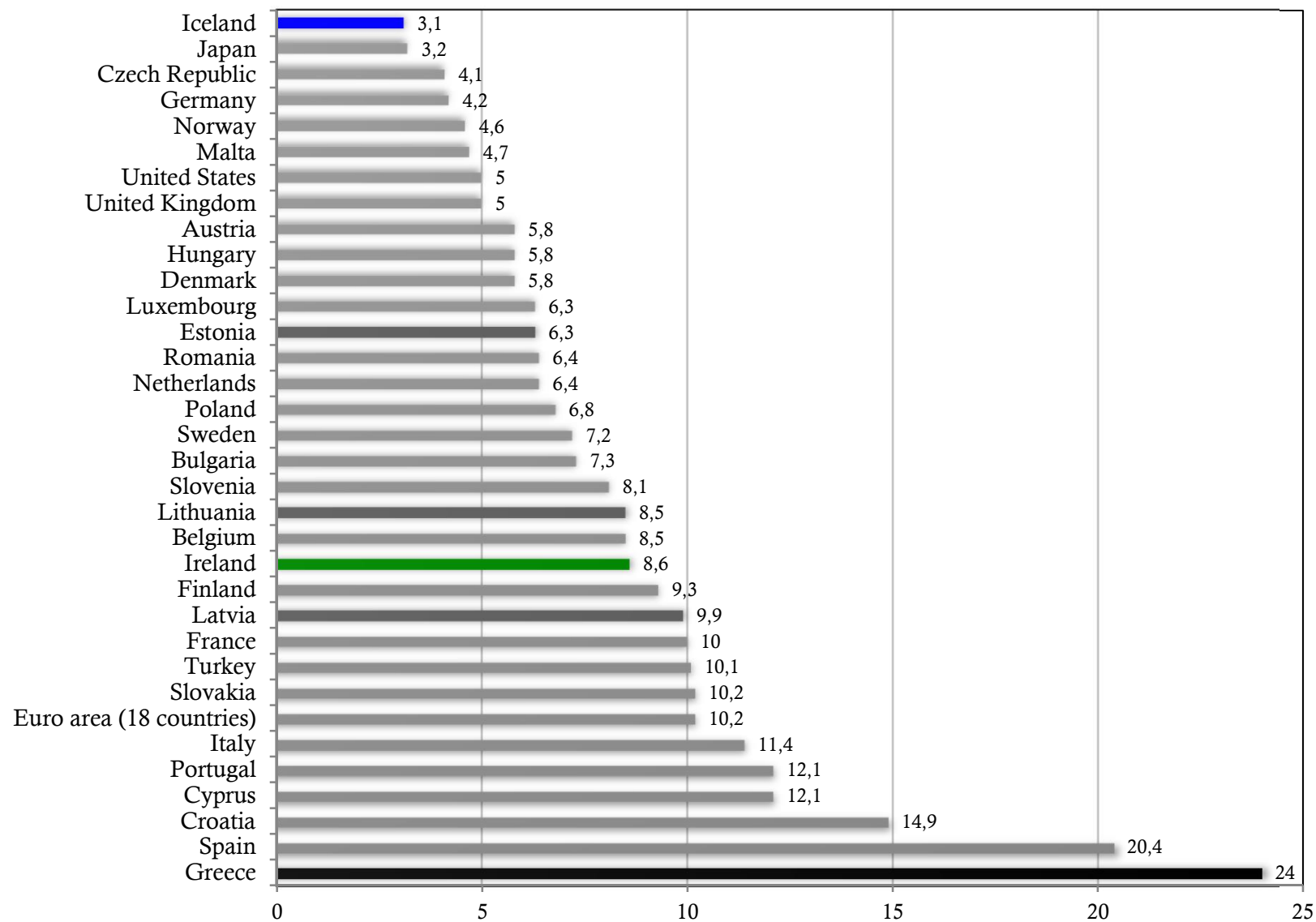
Iceland: Biggest equalization of incomes in Europe during the crisis, 2008 to 2011





End positions

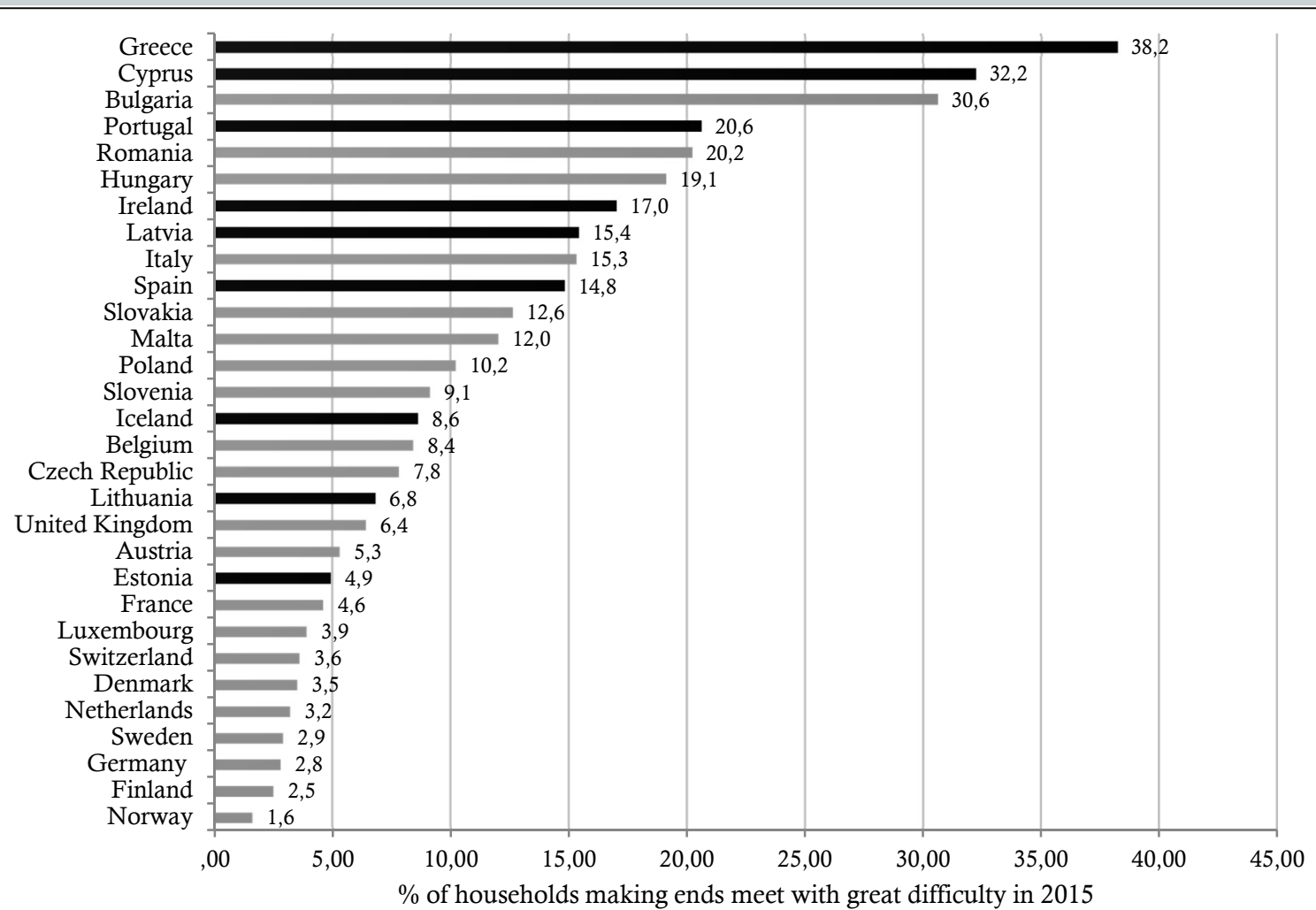
# Unemployment Rate in March 2016 (%)



Source: Eurostat

# Financial hardship in 2015

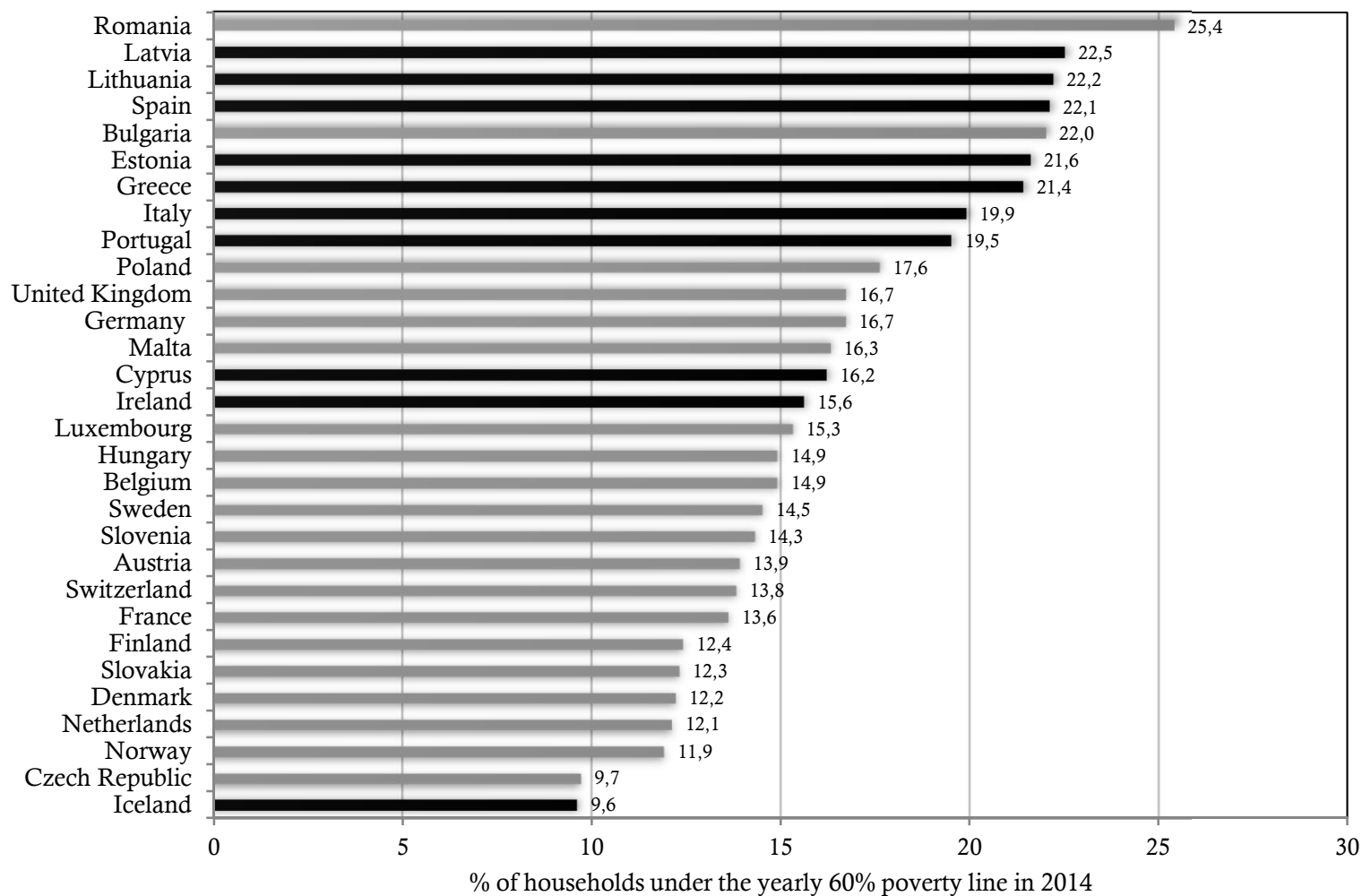
Making ends meet with great difficulty (%)



# Relative poverty in 2014

% of households under the yearly 60% poverty line

Black columns: Deep-Crisis Countries



# Some lessons

- What impacted most on wellbeing during the crisis was **the depth of the crisis**
- **Strength of welfare state** made a difference for softening the consequences
- So did **government capability and will** to tackle the crisis
- Greater emphasis on **austerity** is often associated with more negative consequences for the lower income groups
- **Redistribution policy** emphasis softened crisis effects
- **Iceland did better than other deep-crisis countries** in averting large wellbeing consequences and in escaping again from the crisis situation



Thanks!