



A Difficult Puzzle

Social Assistance Caseloads in the Great Depression and Three Major Post-war Recessions

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The Puzzle

- The Great Recession of 2008-09 is understood to be the largest and steepest economic downturn since the Great Depression
- It could be expected that social assistance caseloads would be highest during the Depression and in the recent downturn
- However, this is not the case.....



The Puzzle

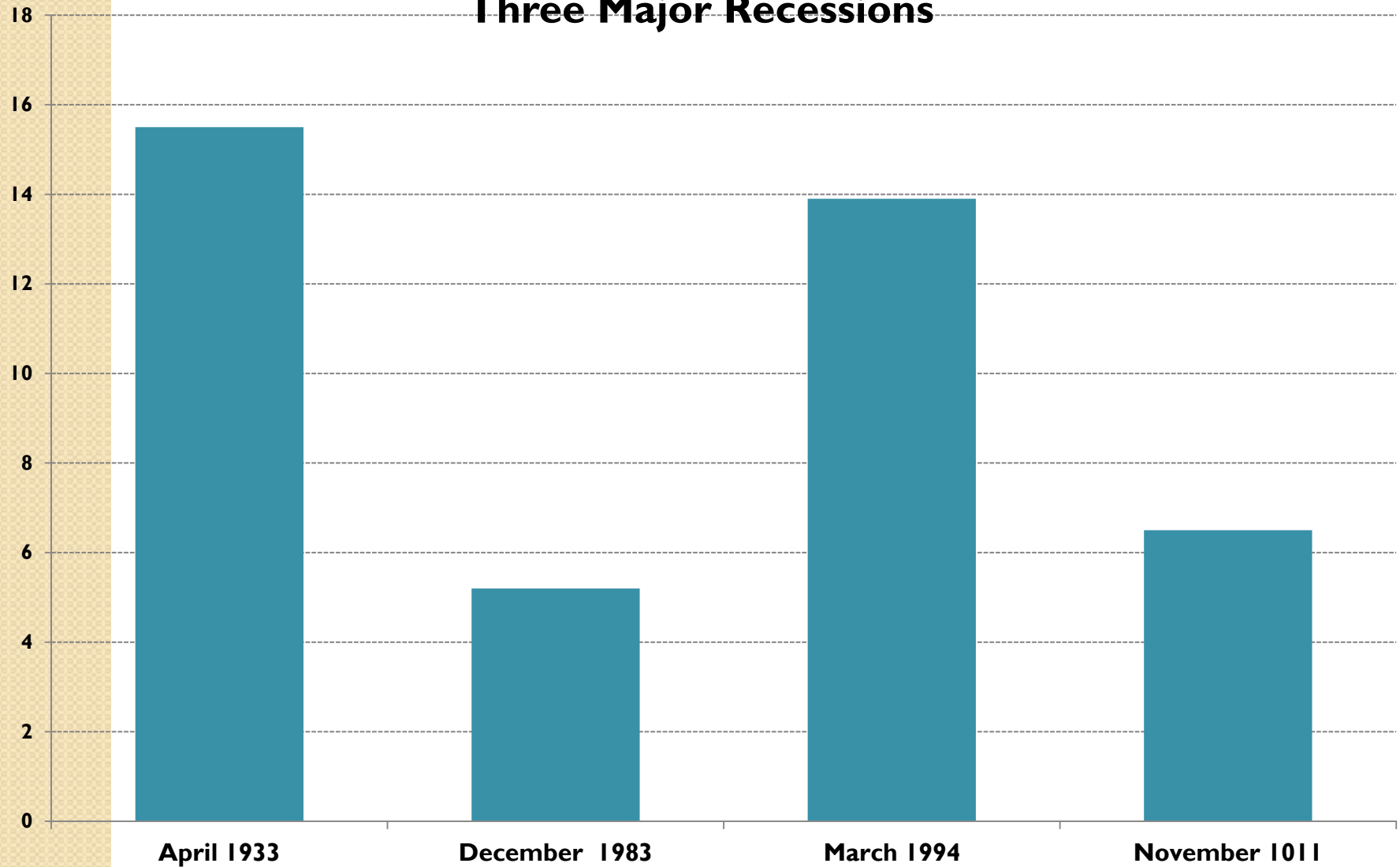
- The total increase in percentage of population receiving social assistance starting in October 2008 (beginning of the recession) is one percentage point from 5.5% to 6.5% of Ontario's population
- This makes the Great Recession of 2008-09 roughly equal to the recession of 1980 -82 in welfare caseload growth terms (4.5% to 5.2%).



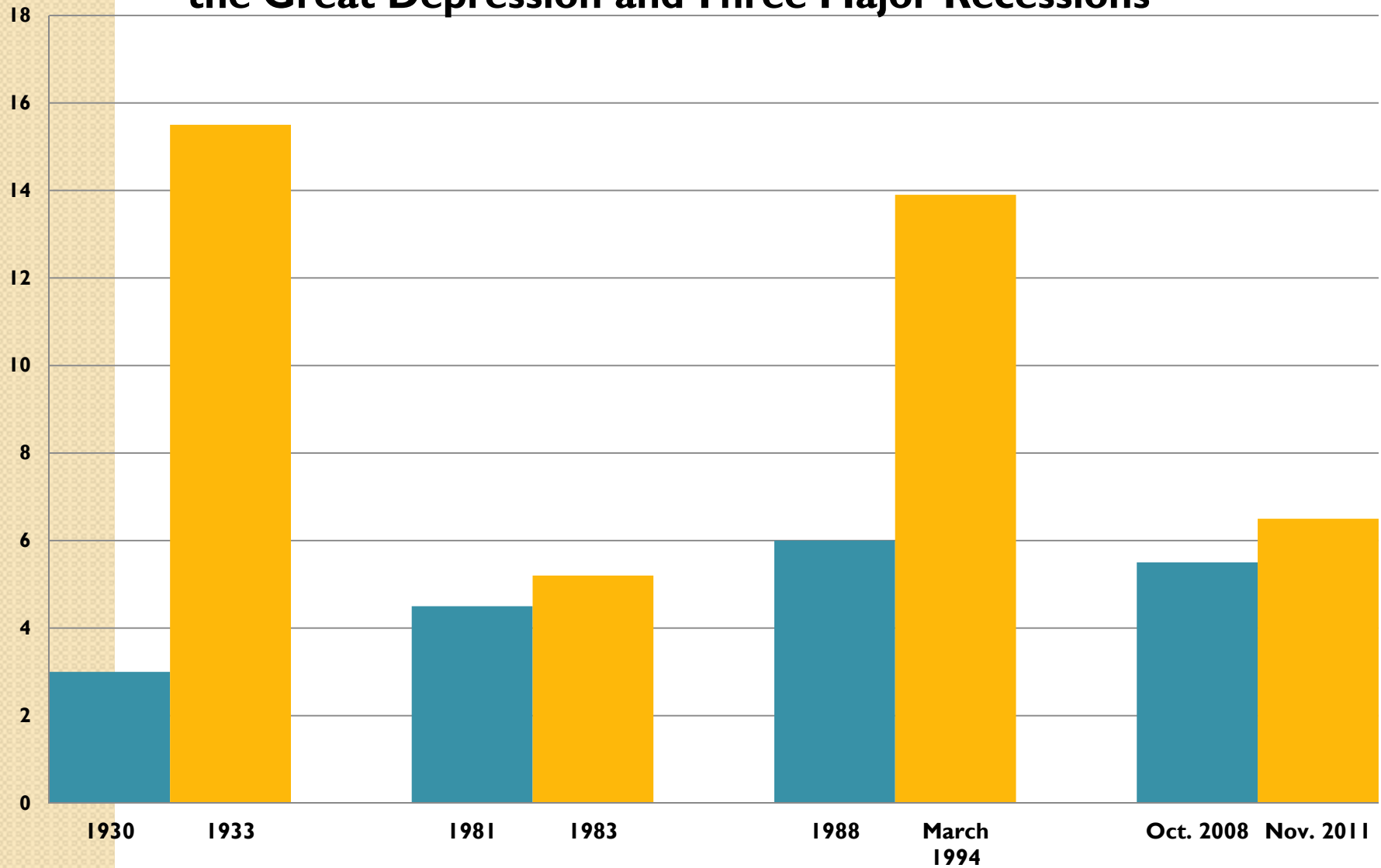
The Puzzle

- But the 1990-92 recession most resembles the Great Depression of the 1930's in terms of social assistance reciprocity.
- The puzzle to solve is why, from a welfare perspective, the two big caseload run ups were in the Great Depression (15.5% of population in April 1933) and the 1990-92 recession (13.9% of population in March 1994).

Percent of Population receiving Social Assistance in Ontario: Peak Caseloads in the Great Depression and Three Major Recessions



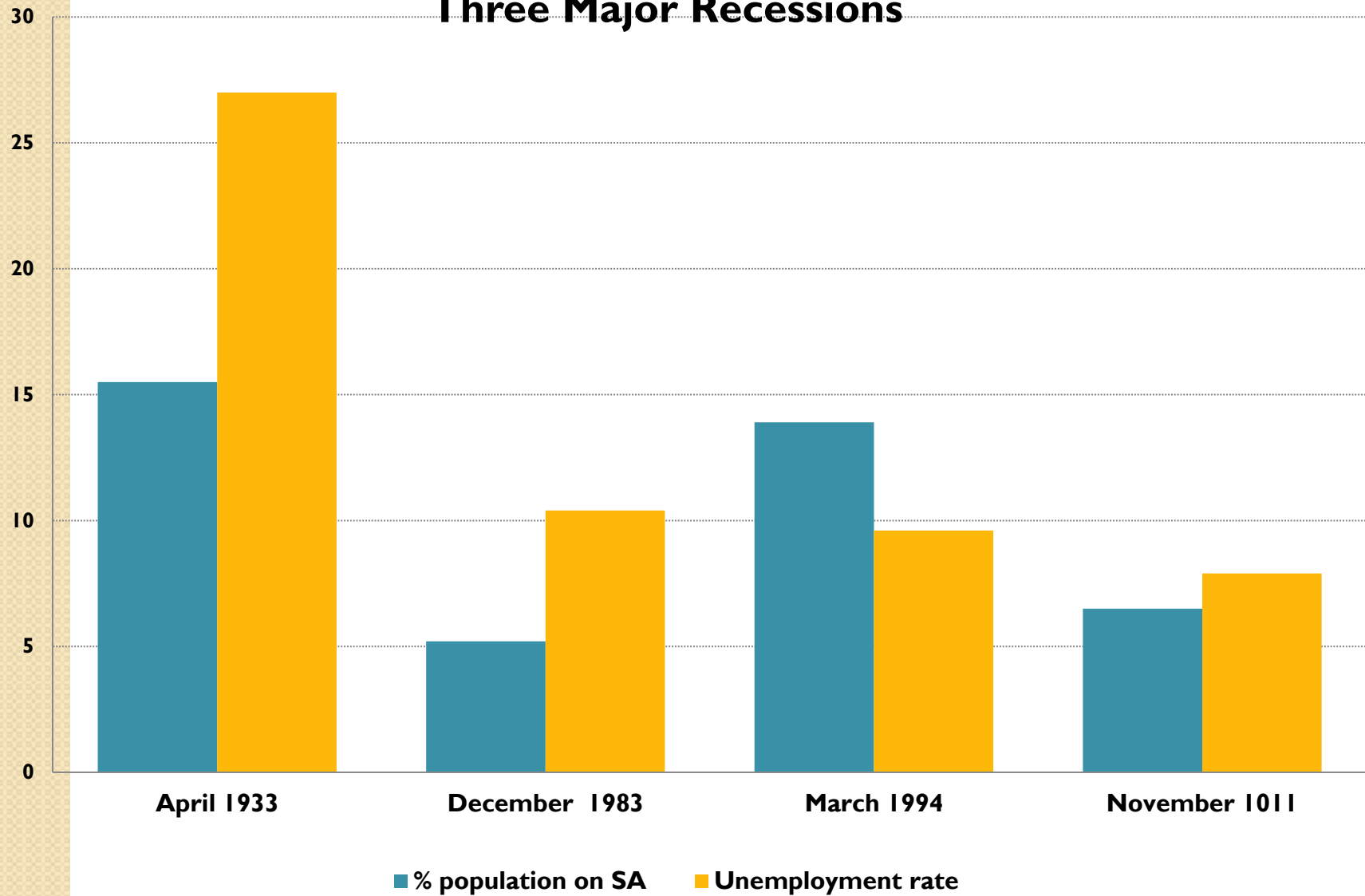
Change in % of Population on Social Assistance in Ontario: Before Major Downturns to Peak Caseloads in the Great Depression and Three Major Recessions



The 'Wrong' Explanation?

- **Level of unemployment** doesn't solve the puzzle as unemployment stood at 10.4% of population in 1983 when 5.2% of population received social assistance, with unemployment rates almost as high as in 1992 and 1993 (10.8% and 10.9% respectively).
- **EI changes** don't solve the puzzle as EI was much easier to get in the early 1990's than it is now.

Percent of Population Receiving Social Assistance and Unemployment Rate in Ontario: The Great Depression & Three Major Recessions





The 'Wrong Explanation?

- One problem is that since the late 1980's, regressions (R_2) show that there is a very strong correlation between the unemployment rate and social assistance recipiency as a percentage of population
- Another problem is that the correlation does not show before 1988 and cannot account for either the Great Depression or the 1980-82 recession



The Structure of Unemployment is Important

- Structure of unemployment = who became unemployed (age, gender, industries)
- The recession of the early 1990s was structurally quite different from that of the early 1980s. Good quality jobs were lost in the 1990's - quite different from what happened in the early 1980s.



The Structure of Unemployment is Important

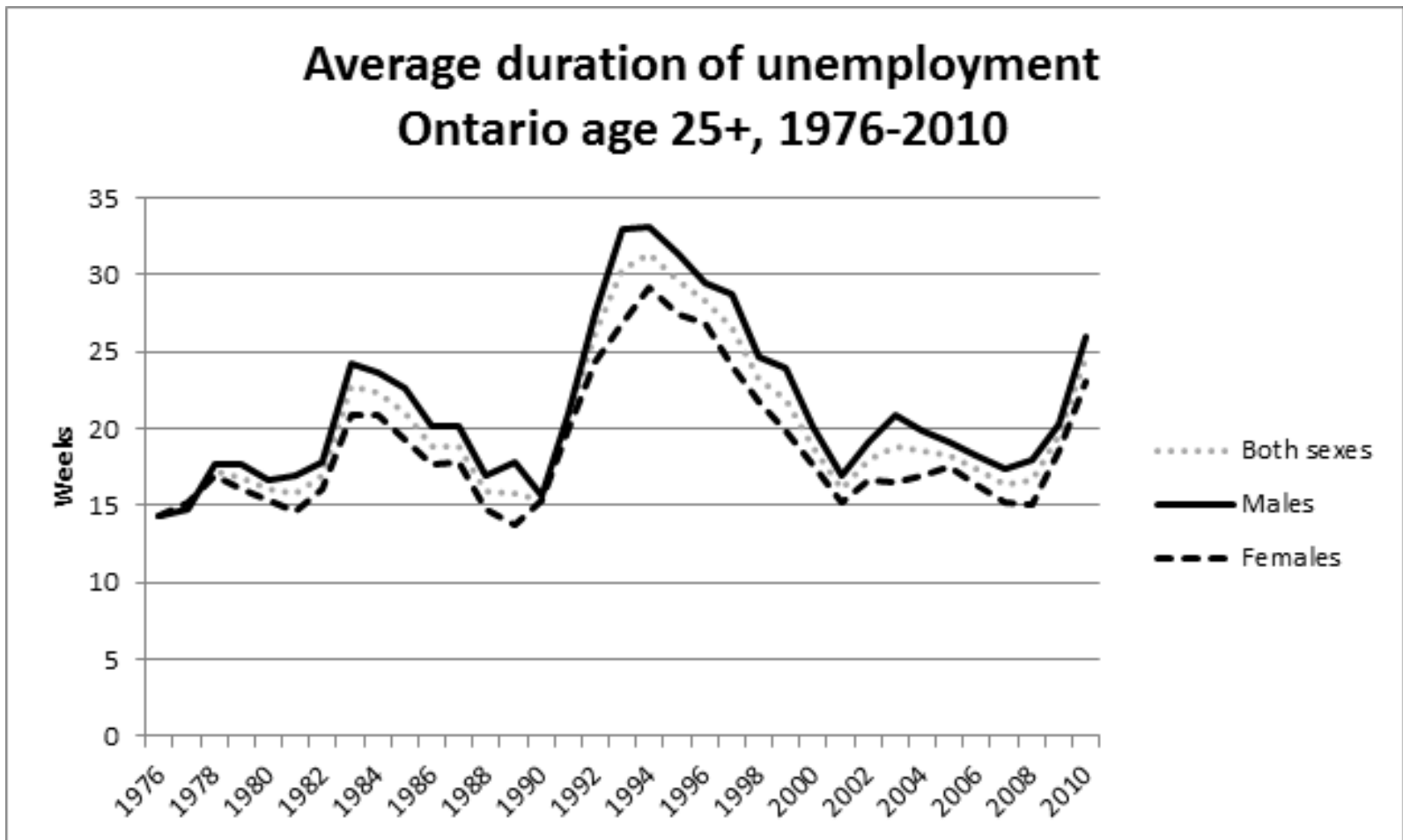
- Two aspects:
 - the average duration of unemployment (see the chart below). The average duration of unemployment was much longer in the early 1990s and the average duration of unemployment returned to pre-recession levels more quickly in the early 1980s.
 - Second, in the early 1980s the unemployment rate peaked at a rate similar to that in the 1990s, but fell again quickly (see the second following chart). In the early 1990s it remained stubbornly high for a much longer period.
- The most recent recession resembles the early 1980s more than the early 1990s. By the end of 2011 the unemployment rate hadn't risen to nearly the same level it did in previous recessions.

ONTARIO

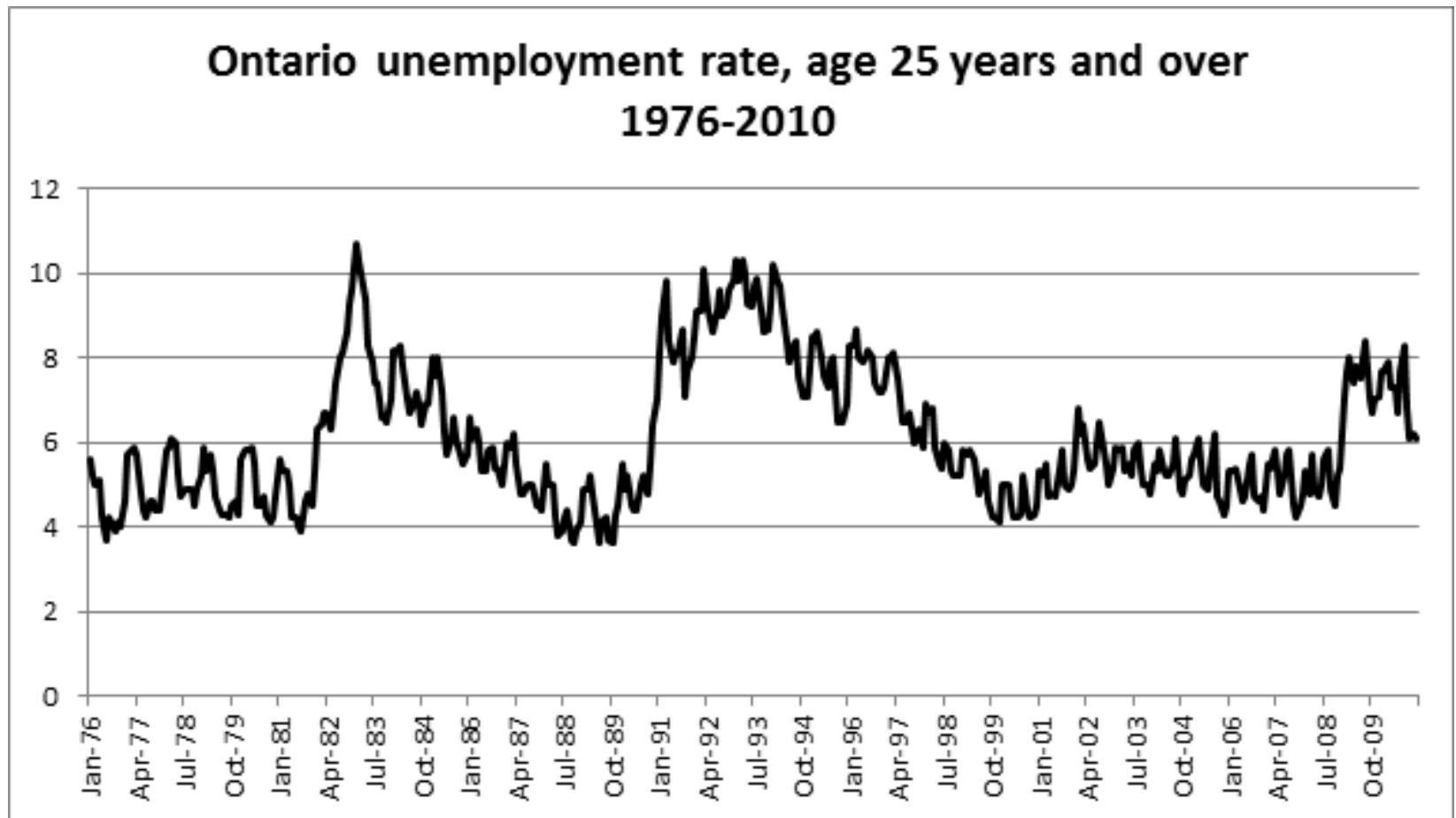
Unemployment Rates and Percentage of Population on SA 1981 to 2010



Duration of unemployment helps solve the puzzle: high in the Great Depression and in the 1990's



Prolonged employment near 10% or more?
Only in the Great Depression and early 1990's



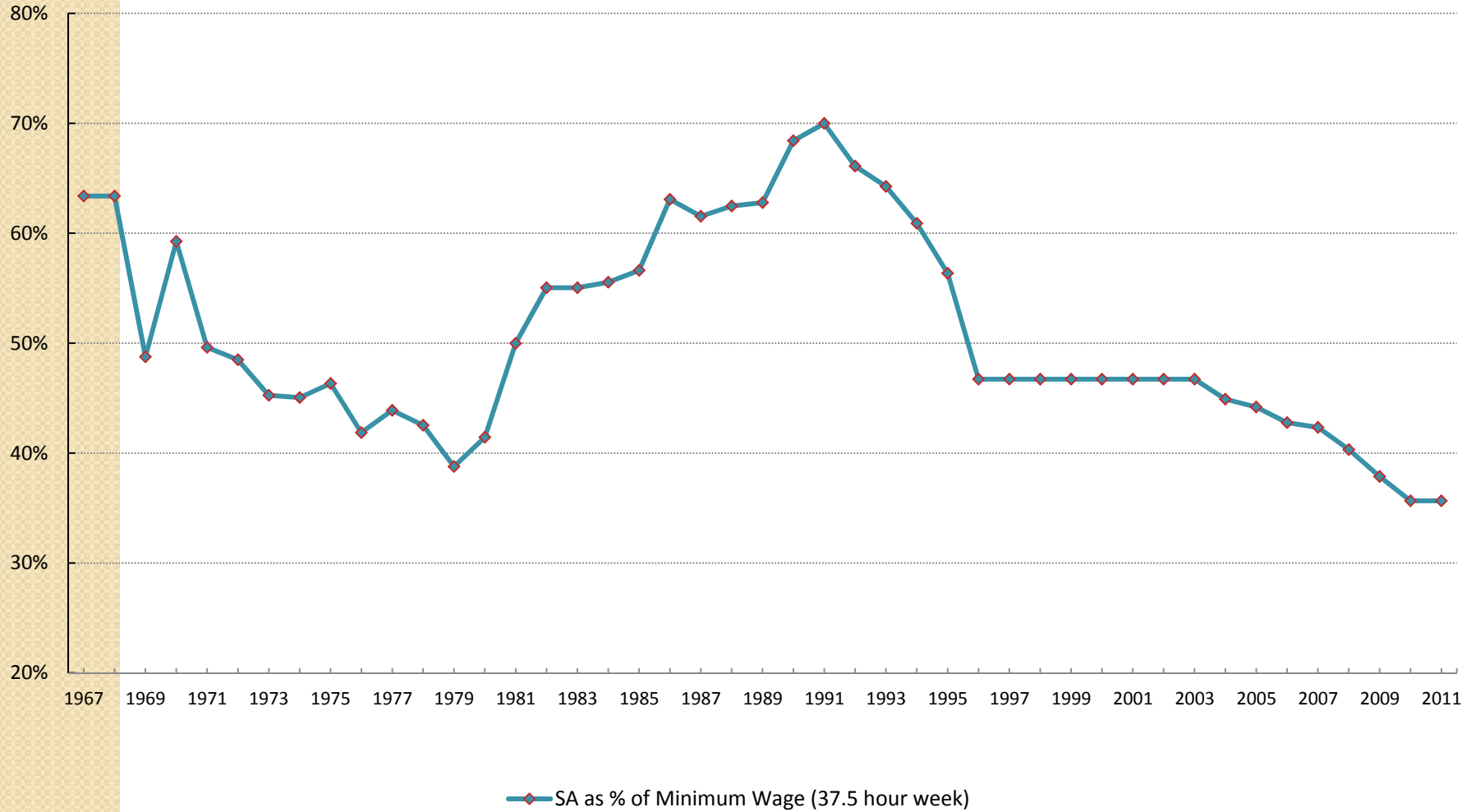


Other Explanations

Five other changes one can point to are:

- I. Increases to the minimum wage relative to social assistance rates - the single welfare rate was 70% of minimum wage in 1991 and about 36% now;**

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Annual SA Income as Percentage of
Annual Income from Minimum Wage Employment
Single Employable Person
1967 to 2011

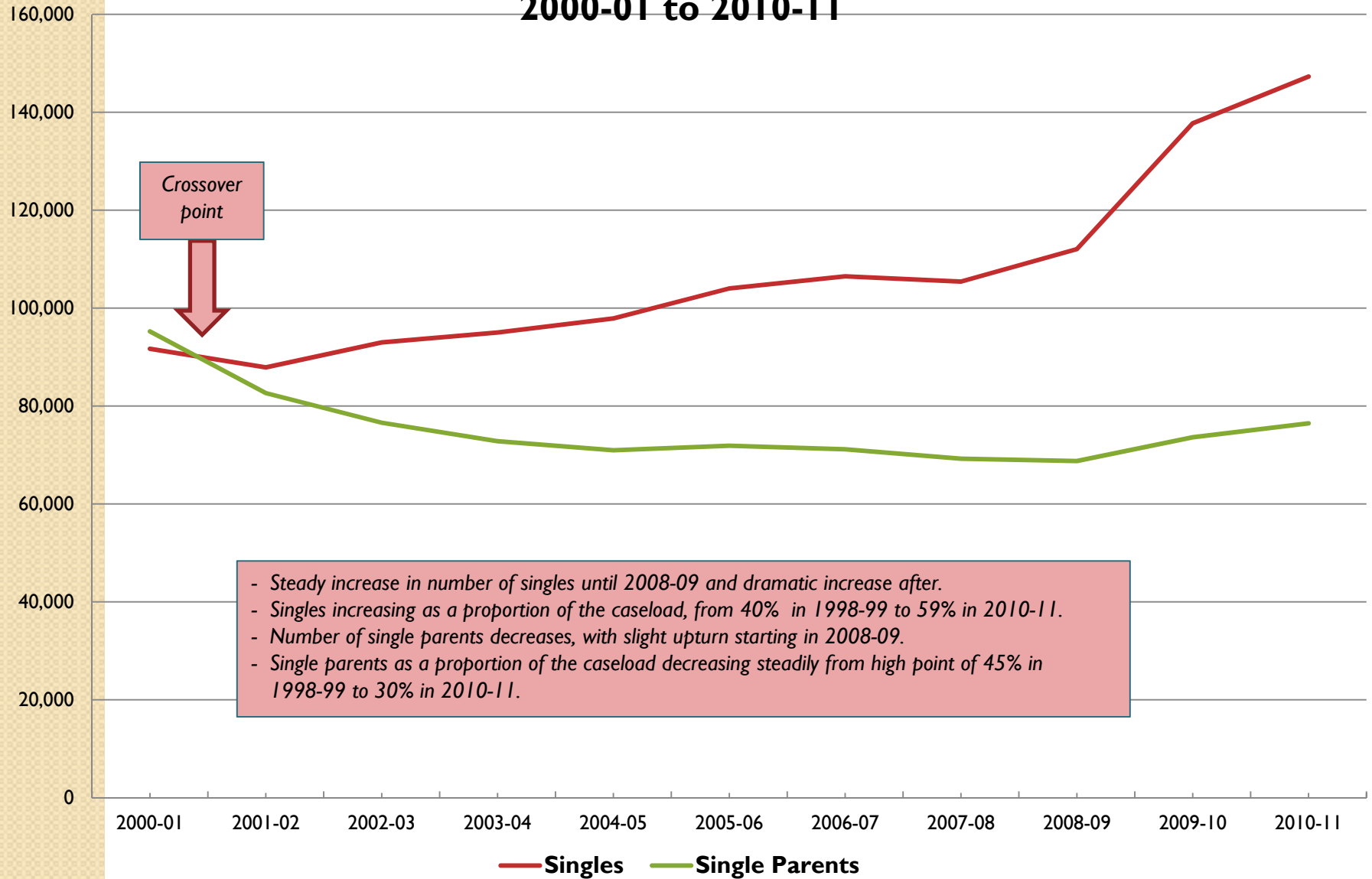




Other Explanations

2. The spectacular structural changes taking place within the caseloads - the **upsurge in singles** relative to continued **reductions in family and sole support parent recipients** would still appear to be the largest single key to solving the puzzle over the last 31 years and the three major recessions during that time.

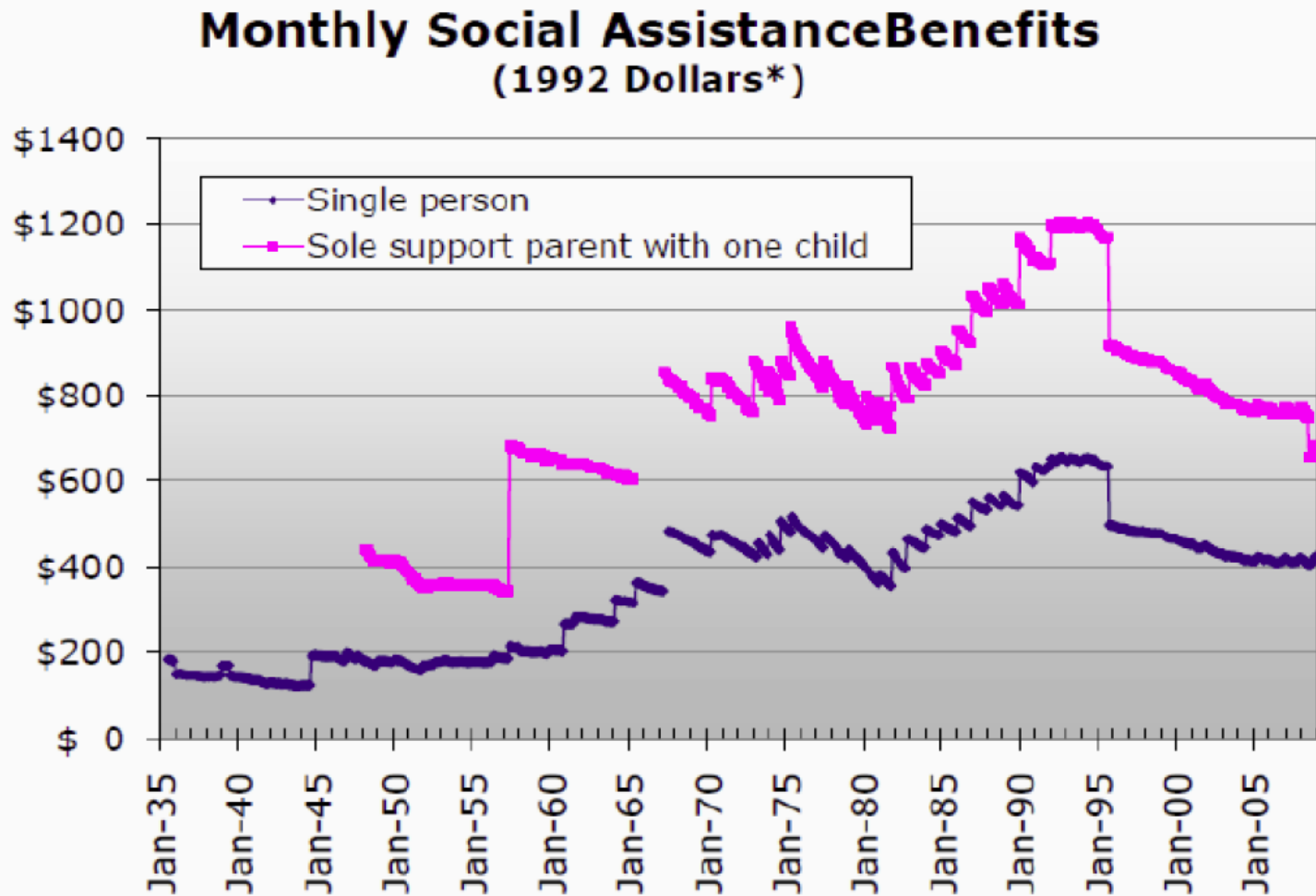
ONTARIO: Divergence between Singles and Single Parents on OW 2000-01 to 2010-11



Other Explanations

- 3. Social assistance Rates** –lowest in real terms in 1980's and 2011 -**Social assistance rates** don't **fully solve** the puzzle as rates rose sharply ahead of inflation in the 1970's but did moderate somewhat in the early 1980's.
 - Social Assistance rates were lowest in real terms in the early 1980's and in recent years
 - Rates were highest in the early 1990's.

Social Assistance Rates





Other Explanations

4. **Stigma:**

Program stigma was highest in the 1980's and in the post Harris era and during recent times especially with questioning of cost of entitlement programs.



Other Explanations

5. Eligibility Changes: e.g. cancellation of STEP to applicants in 1990's; Harris changes of 1995-2000 e.g. assets; rate restructuring in 2008;

- Changes in eligibility requirements may partially give us answers but there is not enough here to explain why the 1990's run-up almost equaled levels we only saw in the mid 1930's.
- Eligibility was easier in the early 1990's but only slightly easier than the early 1980's.
- Eligibility is much tougher now but it's also tougher to get EI.