

# **A stress test at the Northern and Southern borders**

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Bruegel Annual Meeting

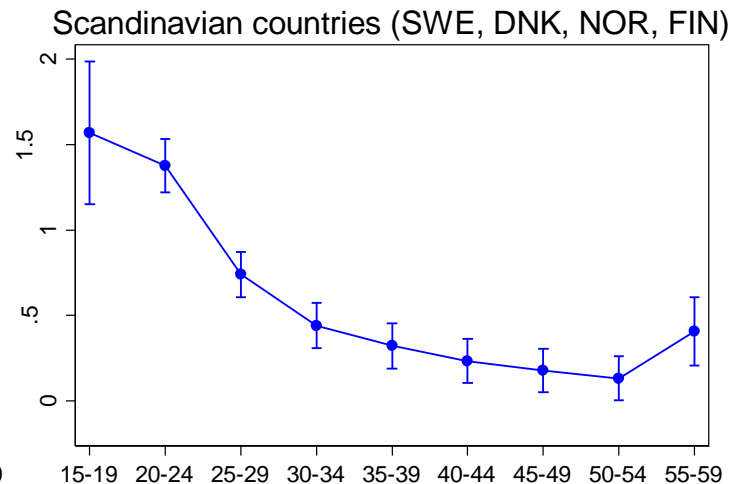
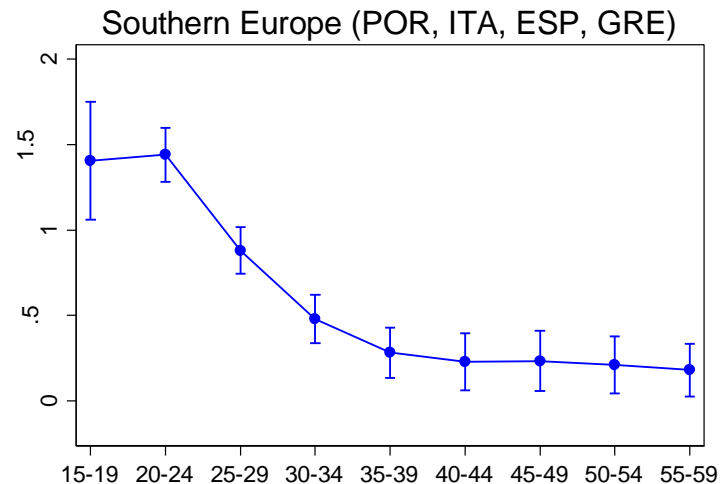
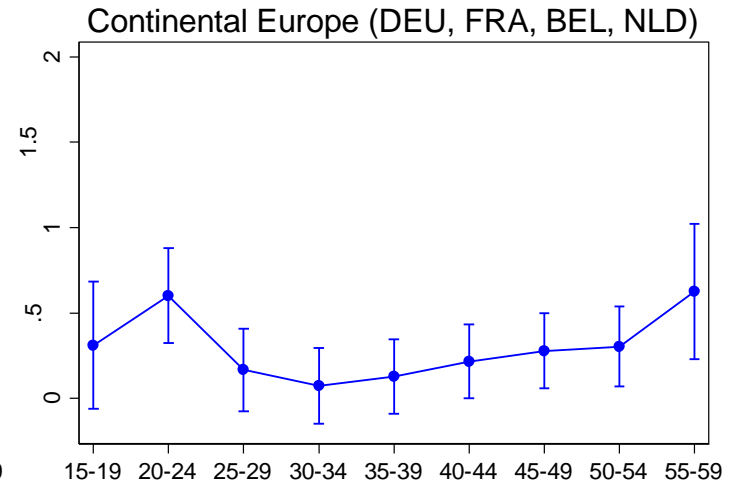
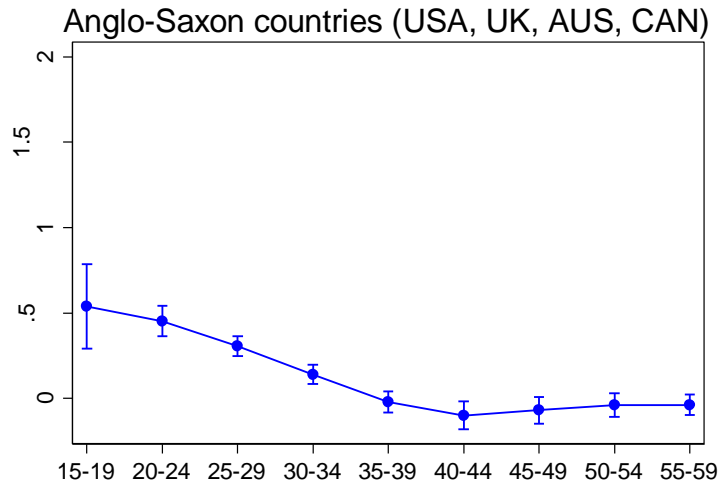
Brussels, September 8 2015

# 3 lessons from the Great Recession

1. *Contractual dualism* concentrate risk on young generations.
2. *Safety nets* played a crucial role in preventing mass unemployment to translate into mass poverty during the GR, but problems of coordination.
3. Not a good idea increasing retirement age in the middle of a major recession.

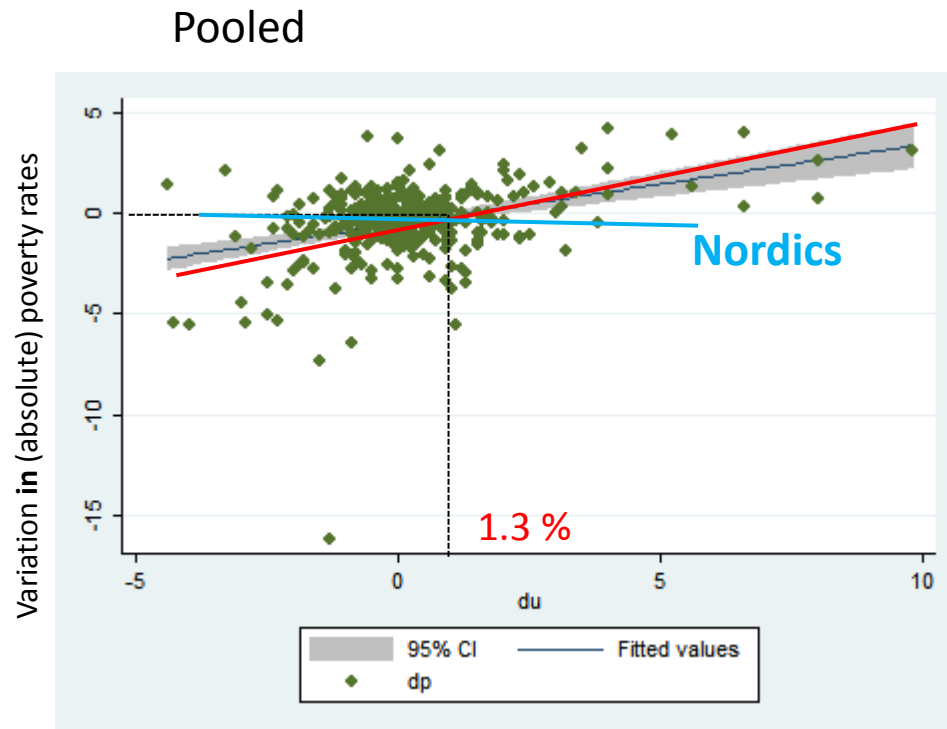
# GR → youth unemployment

## age effects across countries



Notes: data from harmonized OECD-LFS, methodology as in Hoynes et al. (2012)

# By how much should unemployment rise for poverty to increase?

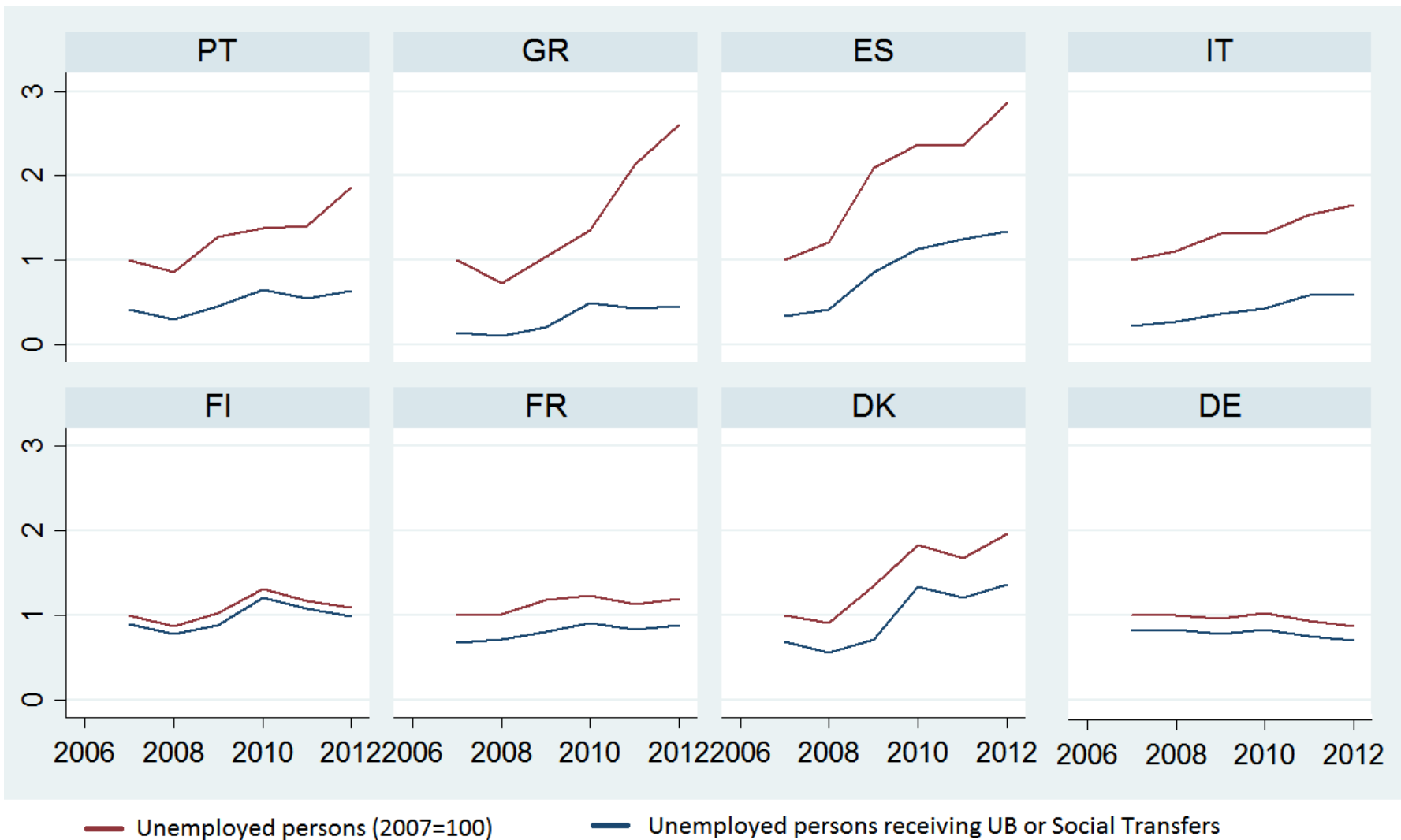


Countries:

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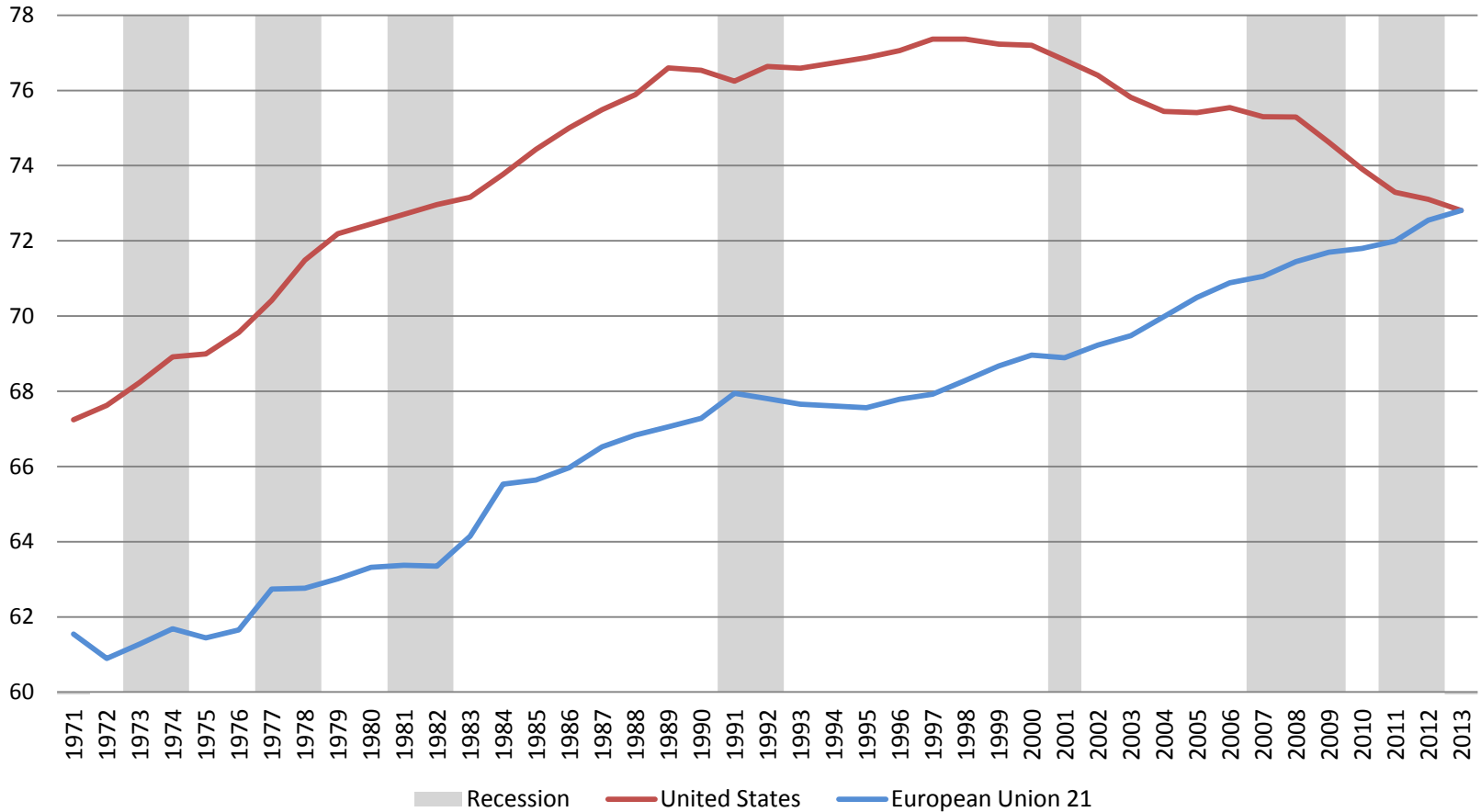
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# Coverage of UB and SA

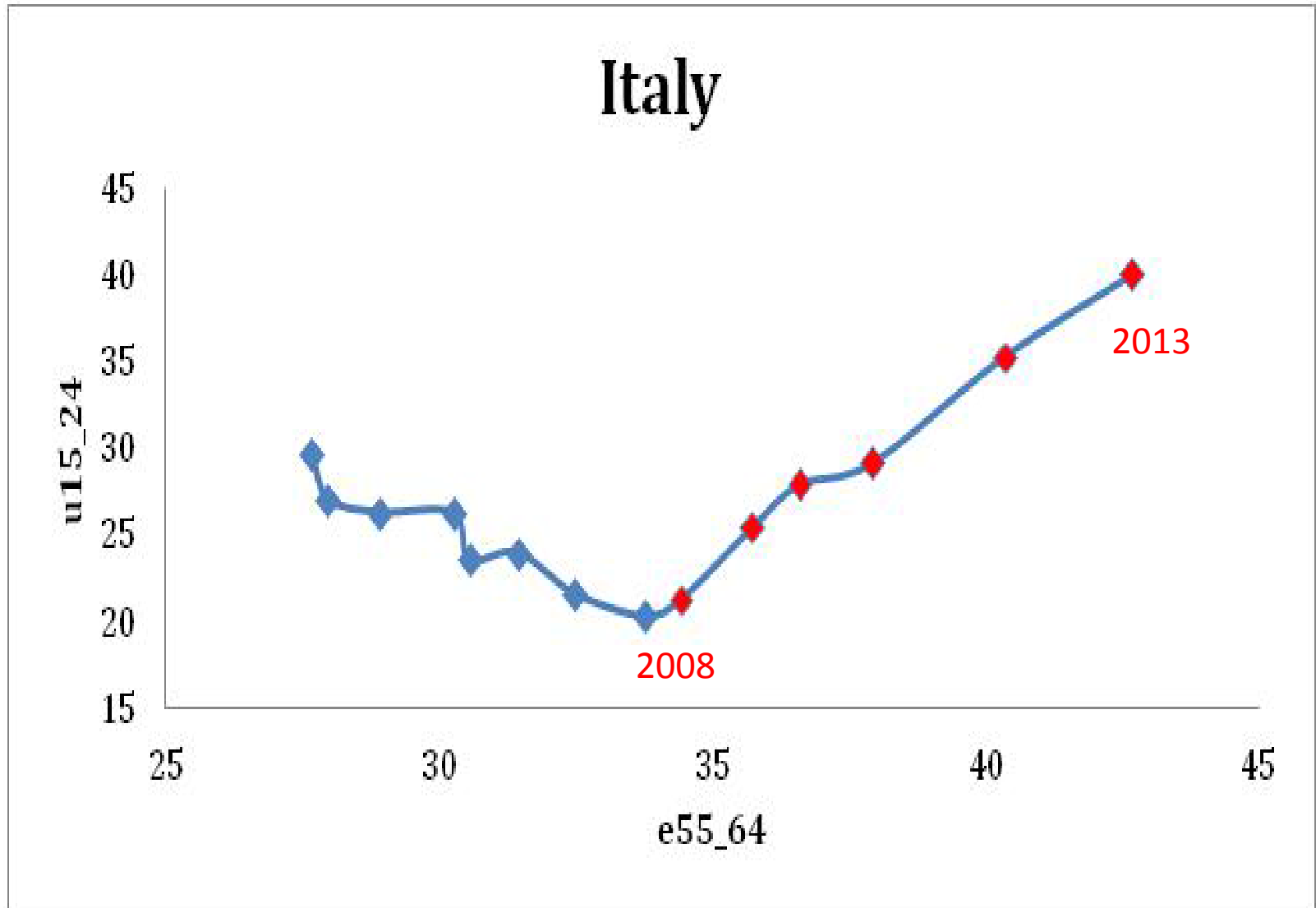


# Trans-Atlantic convergence

Labor Force Participation rate  
(population 15-64 years old, %)



# Old in young out over the cycle



# 3 lessons from the Great Recession

1. *Contractual dualism* concentrate risk on young generations. **Graded-security contract as a way out?**
2. Safety nets played a crucial role in preventing mass unemployment to translate into mass poverty during the GR, but problems of coordination. **Should we have a welfare union rather than a welfare state?**
3. Not a good idea increasing retirement age in the middle of a major recession. **Use instead the flexibility of *NDC pension systems*?**