

# WELFARE REGIMES AND INCOME INEQUALITY IN EUROPE

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# OVERVIEW

Motivation and research questions

Framework

Literature review

Analysis

- Trends in public expenditure
- Income inequality
- Public attitudes

Conclusion

# MOTIVATION AND RESEARCH QUESTIONS

Can EU countries still afford  
states? **BBC NEWS**



Shining Red: European Debt Crisis Signals  
Collapse of Social Welfare State  
James M. Roberts and J.D. Foster, Ph.D. August 16, 2011

- Have welfare states weakened?
- How have the welfare states changed? Has there been a convergence between different types of welfare regimes, or have they continued to be as distinct as before?
- How has the perception of the welfare state changed over the past decade?

# FRAMEWORK

Gøsta Esping-Andersen (1990): The Three Worlds of Welfare Capitalism

**Two fundamental principles** of the welfare state

- **De-commodification**
  - “occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market.” (p. 21-22)
- **Social stratification**

# FRAMEWORK

## THE THREE WORLDS OF WELFARE CAPITALISM

- **Social-democratic:** Scandinavia
  - Social equality
  - Universalistic, de-commodifying programs
- **Conservative:** Continental Europe
  - Social cohesion
  - Family and occupational groups; State as subsidiary
- **Liberal:** Anglo-Saxon
  - Liberty, freedom and autonomy
  - Market institutions dominate

# LITERATURE REVIEW

- Praise, critique, further development
- Country categorization: Southern countries, Antipodean, CEE
- Application to other dimensions; family / gender
- Many empirical studies: Arts & Gelissen (2002, 2010), Ferragina and Seeleib-Kaiser (2011)
- Convergence ?

# FRAMEWORK

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- **Corporatist:** Southern Europe
  - More minimal, family-oriented
  - Clientelism

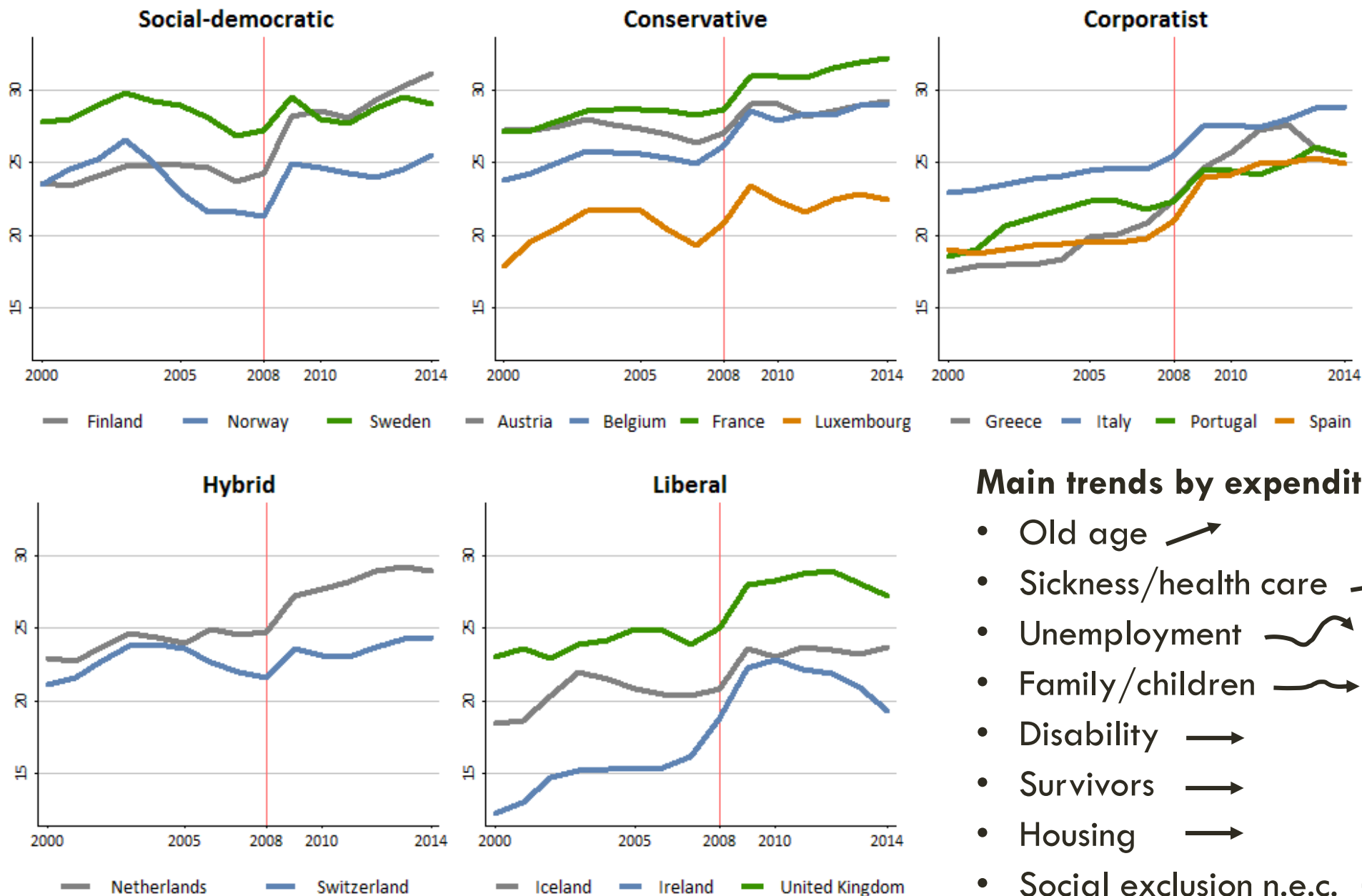
### Ideal types !

- Social-democratic: FI, NO, SE
- Conservative: AT, BE, FR, LU
- Corporatist: GR, IT, PT, ES
- Hybrid: NL, CH
- Liberal: IS, IR, UK

# HAVE WELFARE STATES WEAKENED?

Public Expenditure  
Data: Eurostat

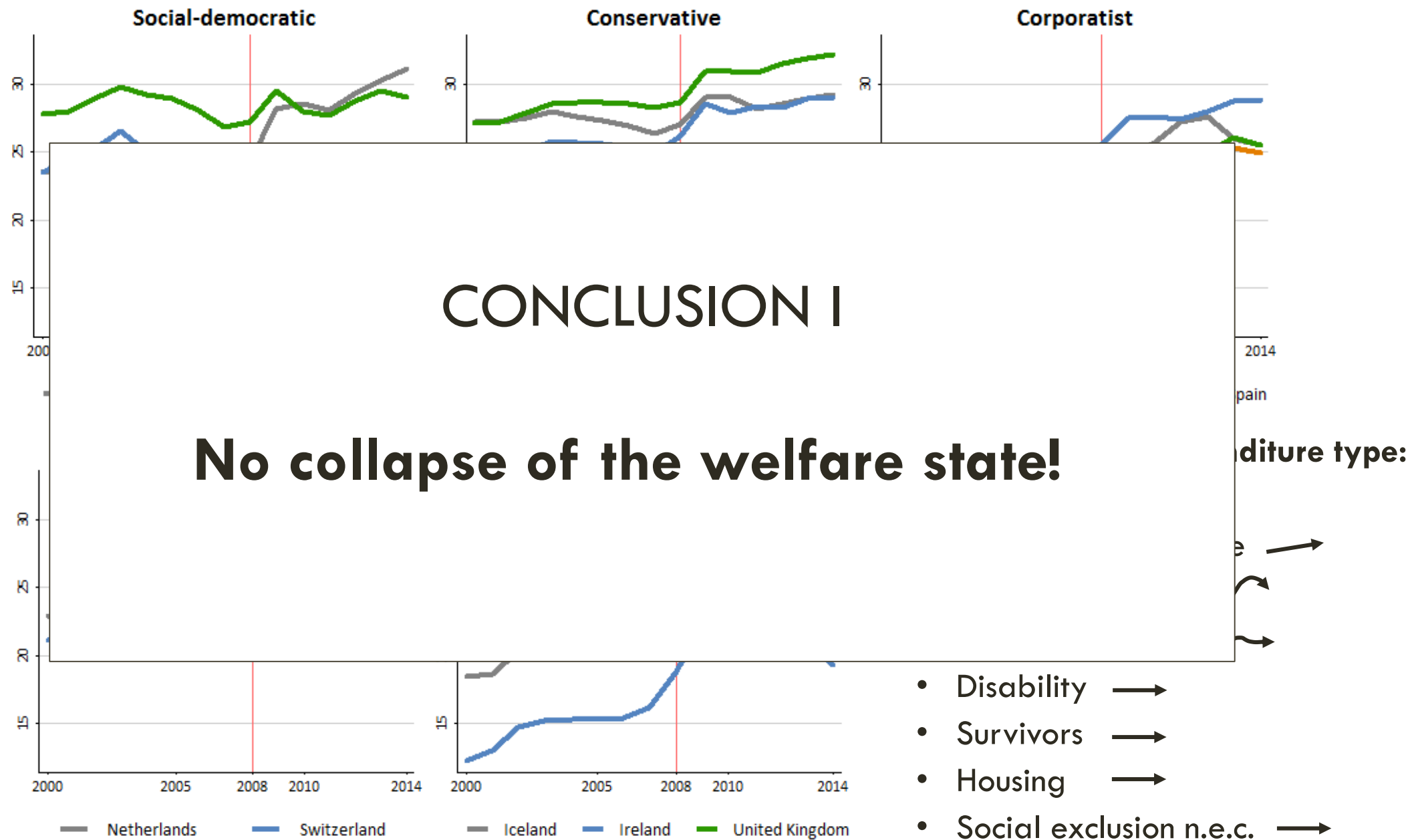
# Public expenditure on social protection benefits as % of GDP



## Main trends by expenditure type:

- Old age →
- Sickness/health care →
- Unemployment →
- Family/children →
- Disability →
- Survivors →
- Housing →
- Social exclusion n.e.c. →

Public expenditure on social protection benefits as % of GDP

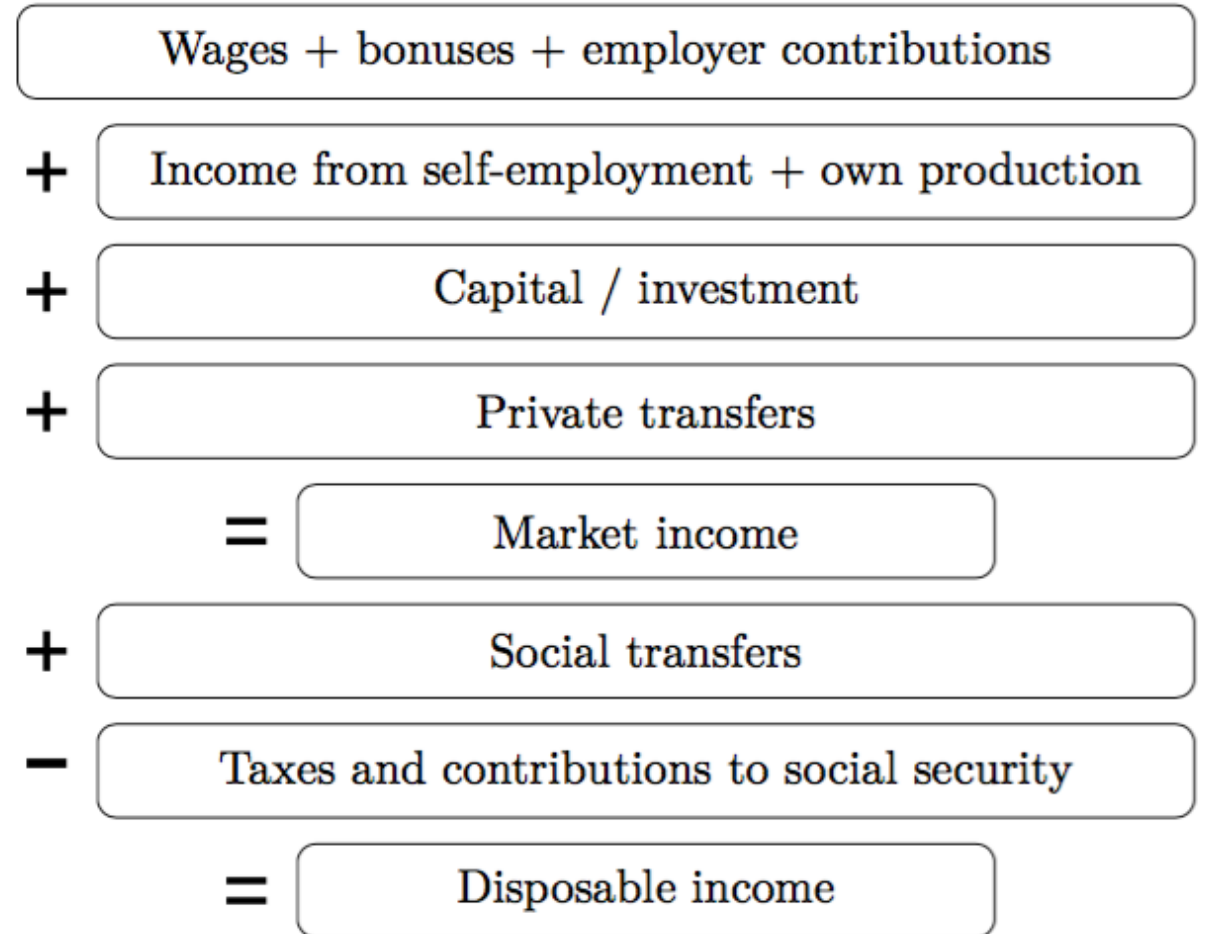


# HAVE WELFARE STATES CHANGED?

Inequality  
Data: EU-SILC

# DATA

- EU-SILC cross-sectional
  - Social-democratic: FI, NO, SE
  - Conservative: AT, BE, FR, LU
  - Corporatist: GR, IT, PT, ES
  - Hybrid: NL, CH
  - Liberal: IS, IR, UK
- 2006, 2013
- Equivalized household income
- Issues: comparability across countries and time



# METHODOLOGY

## FACTOR DECOMPOSITION OF THE GINI COEFFICIENT (Lerman & Yitzhaki 1989)

Total income  $Y$  consists of  $k = 1, \dots, K$  different income sources  $y_k$ , such that  $Y = \sum_{k=1}^K y_k$

Decomposition of the Gini coefficient of total income:

$$G = \sum_{k=1}^K S_k G_k R_k$$

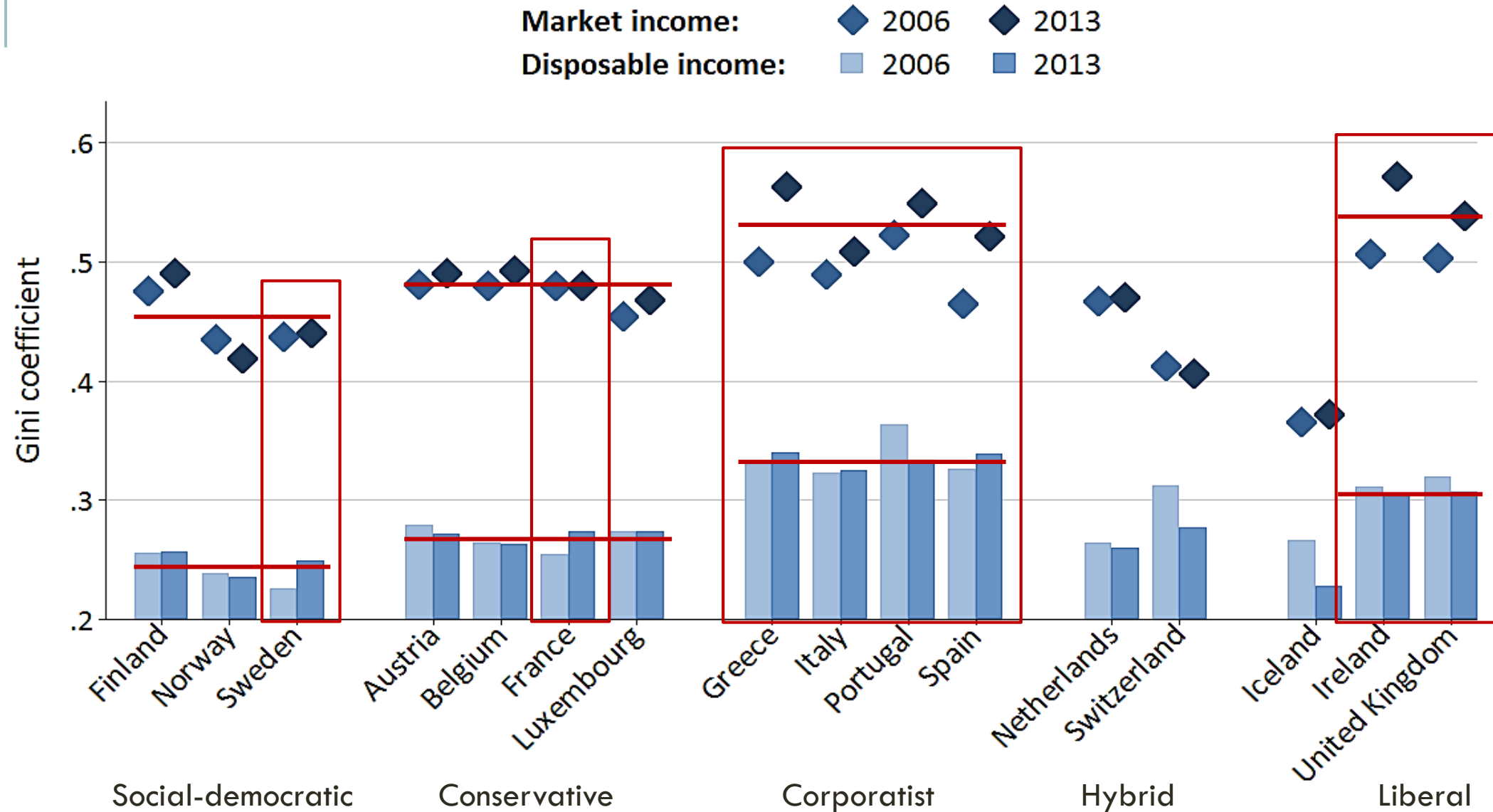
Where...

$S_k$  : share of income source  $k$  in total income

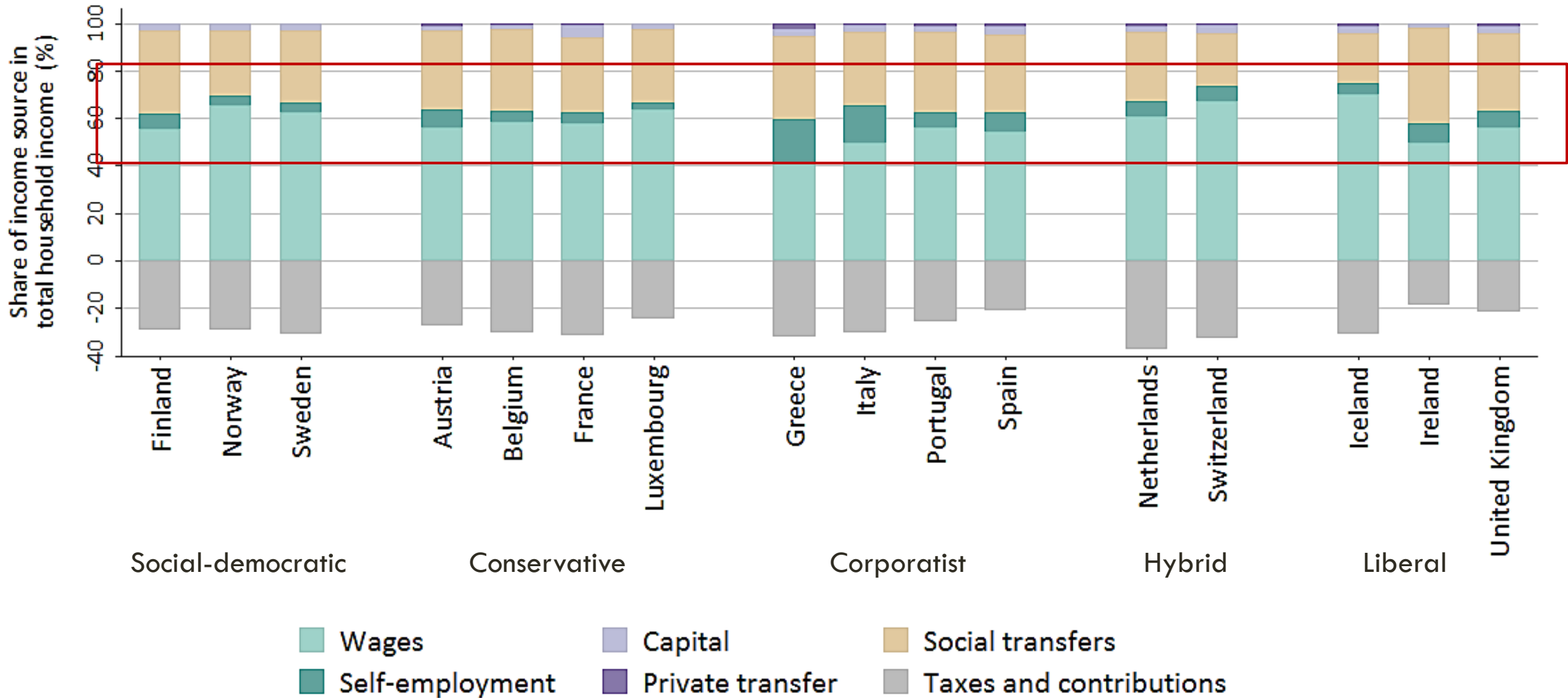
$G_k$  : Gini coefficient of income source  $k$

$R_k$  : Gini correlation of income source  $k$  with the distribution of total income

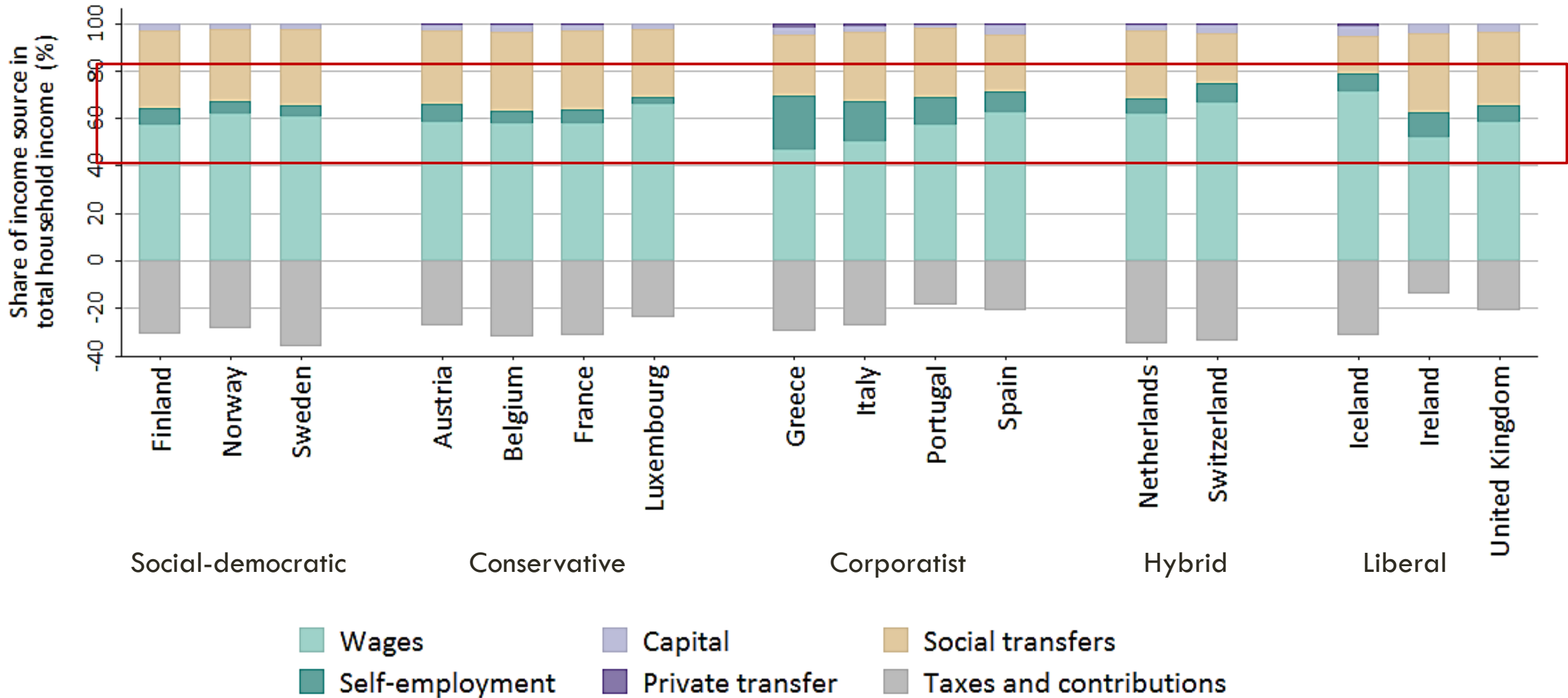
# INEQUALITY AND REDISTRIBUTION



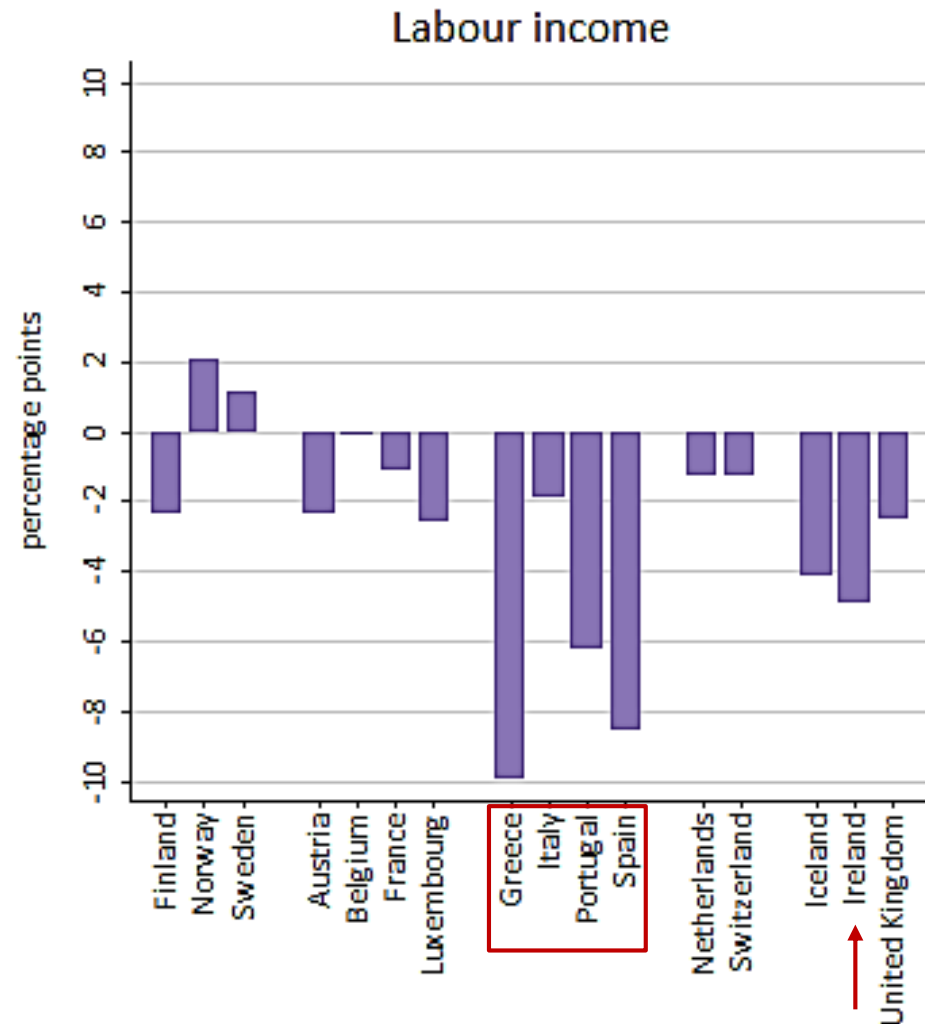
## INCOME SOURCES (2006)



# INCOME SOURCES (2013)



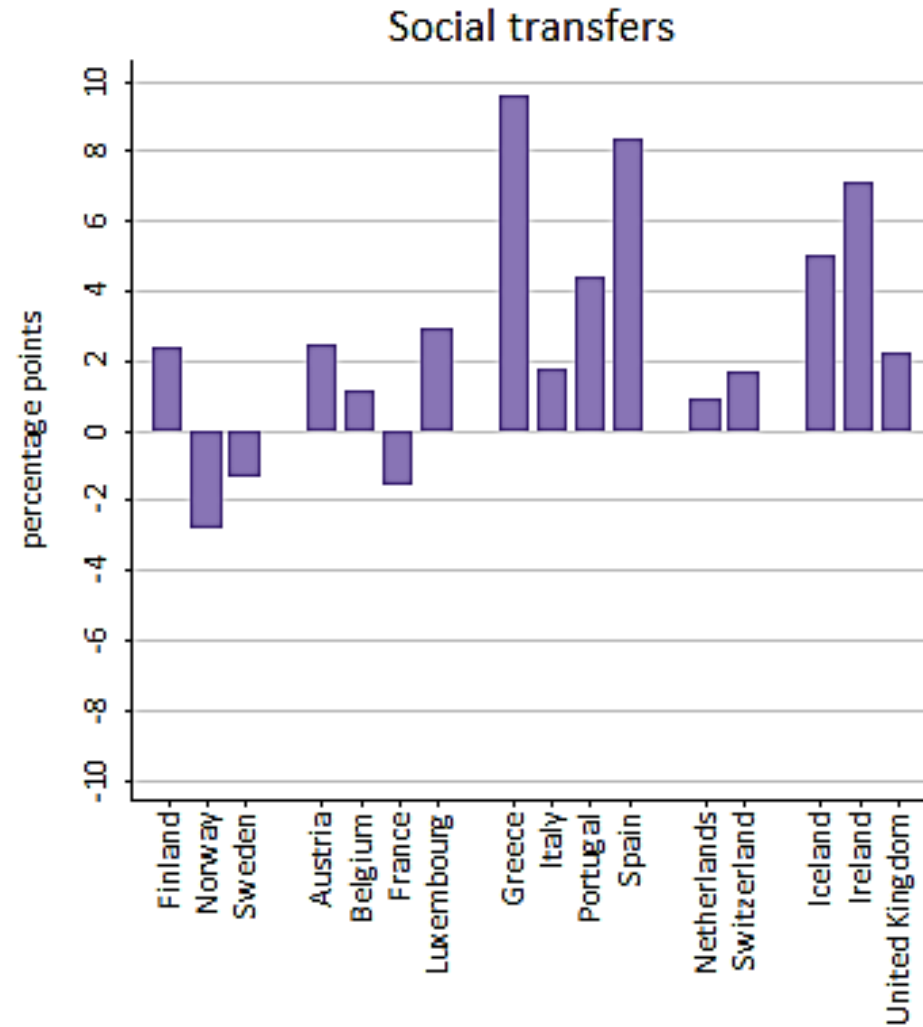
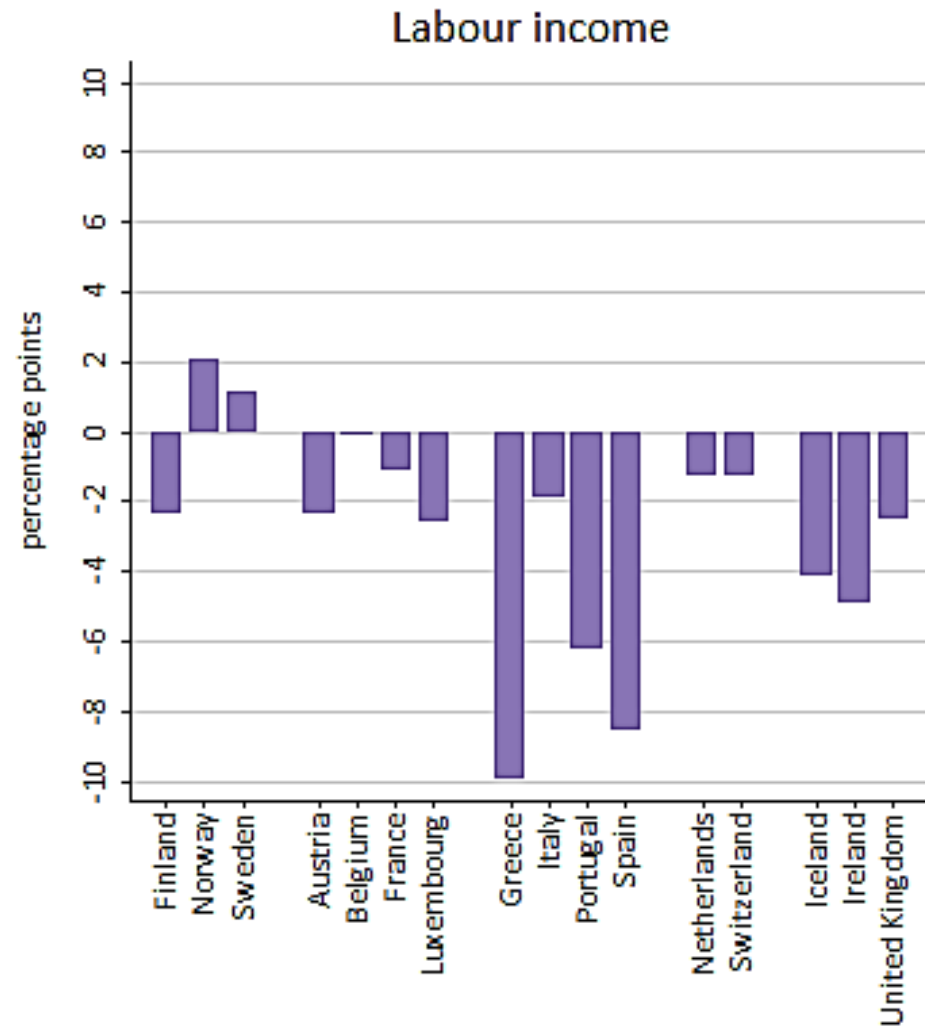
## CHANGE IN INCOME SOURCES 2006-2013



Change in unemployment rates: (ILO KILM 2015)

Finland	+	0.5
Norway	+	0.0
Sweden	+	1.0
Austria	+	0.4
Belgium	+	0.2
France	+	1.4
Luxembourg	+	1.1
Greece	+	18.1
Italy	+	5.3
Portugal	+	8.6
Spain	+	14.8
Netherlands	+	2.8
Switzerland	+	0.5
Iceland	+	2.6
Ireland	+	8.6
UK	+	2.1

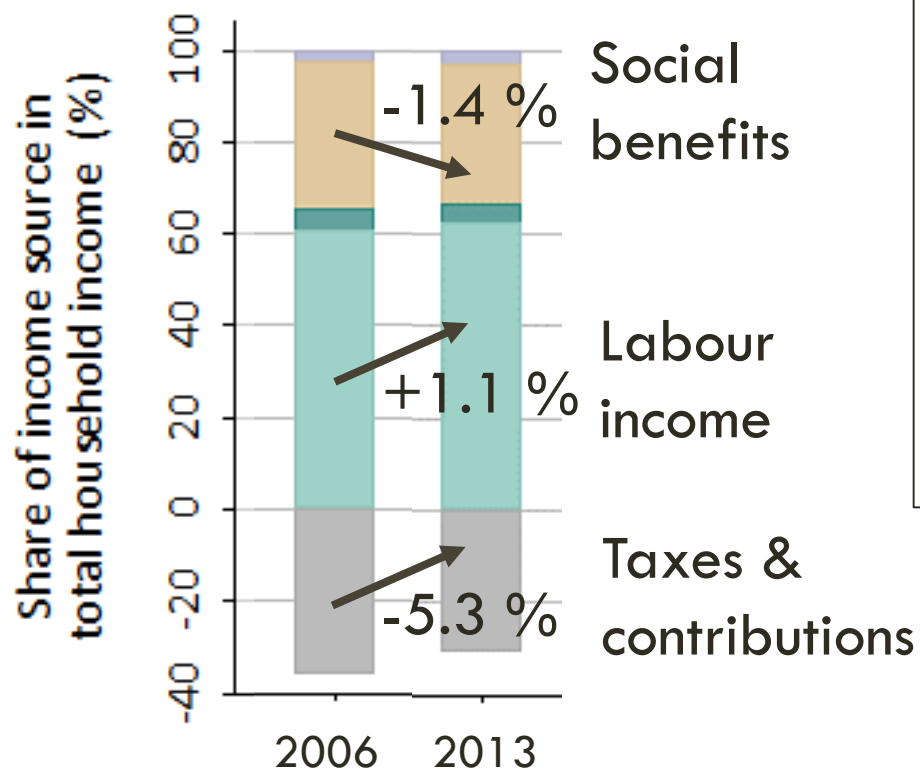
## CHANGE IN INCOME SOURCES 2006-2013





## COUNTRY EXAMPLE: SWEDEN

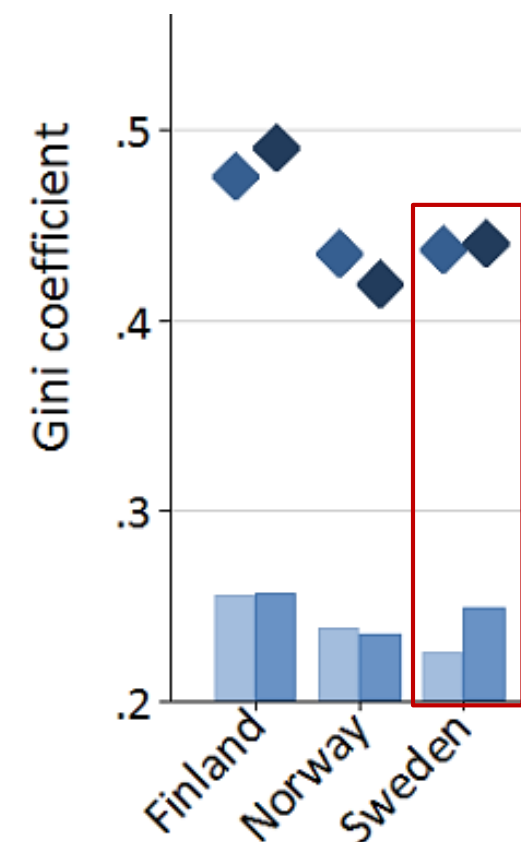
### Income shares



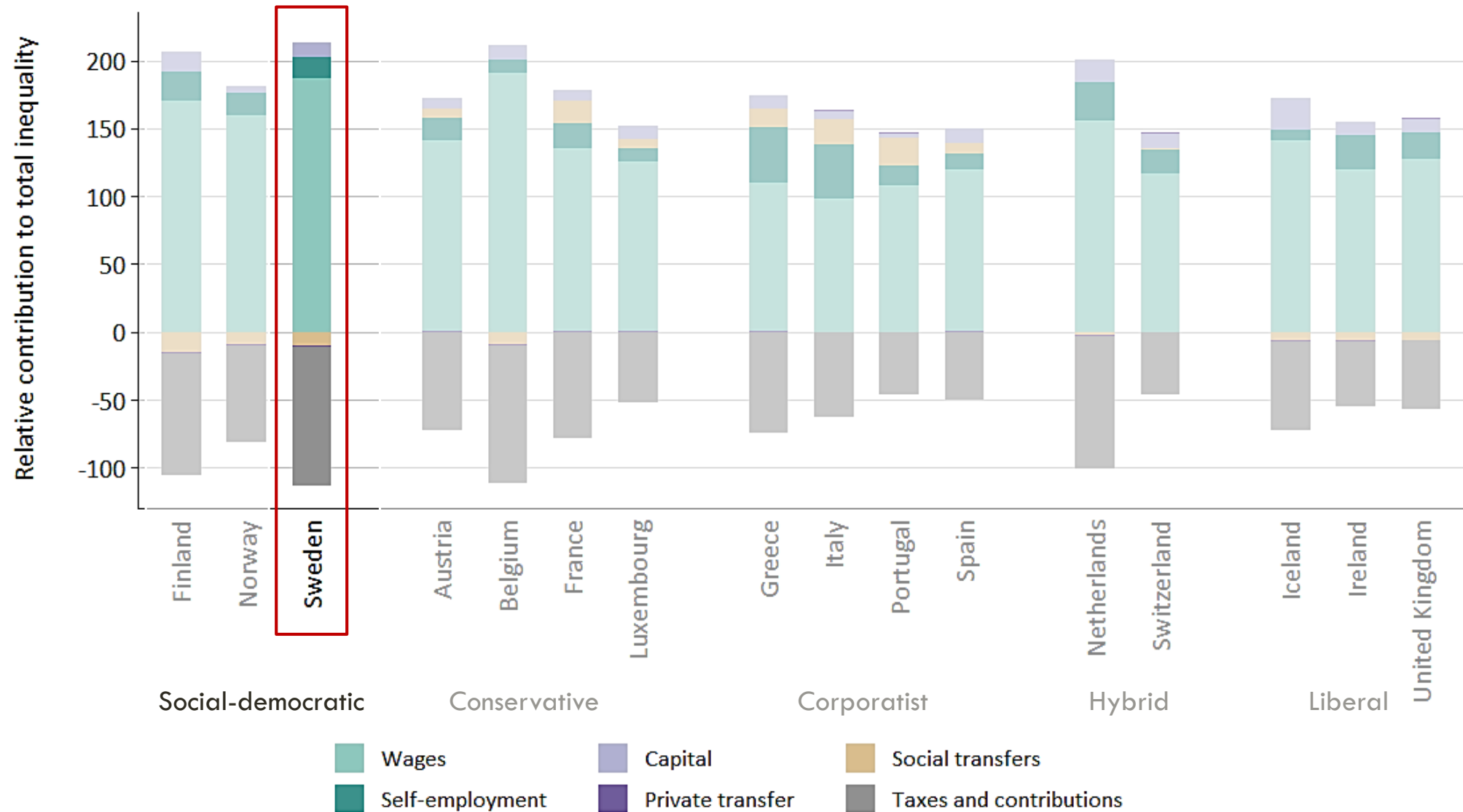
### Public expenditure (% of GDP)

overall	↗	1.4 %
old age	↗	2.0 %
unemployment	↘↗	-0.2 %
disability	↘	-0.6 %

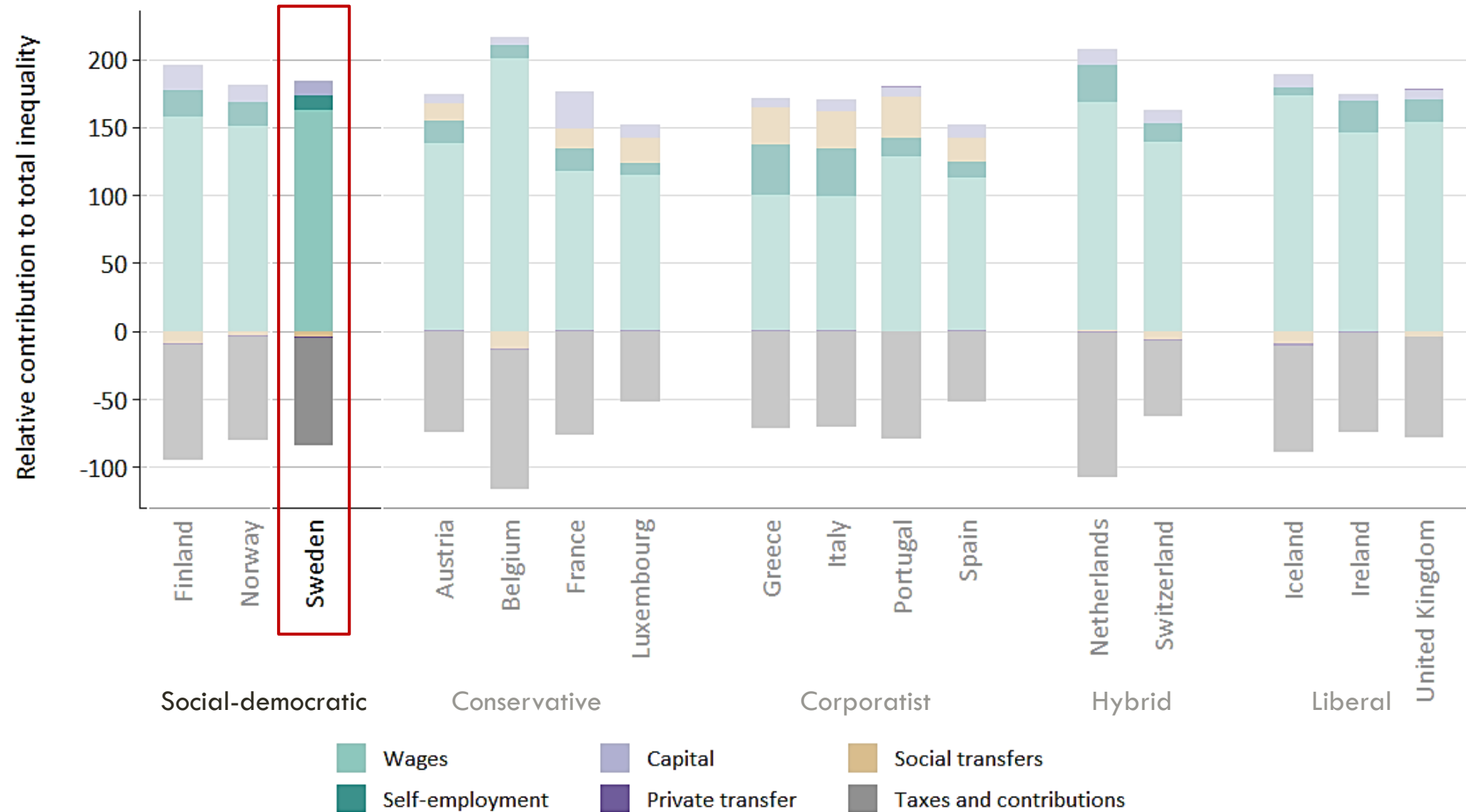
### Inequality



## FACTOR DECOMPOSITION (2006)



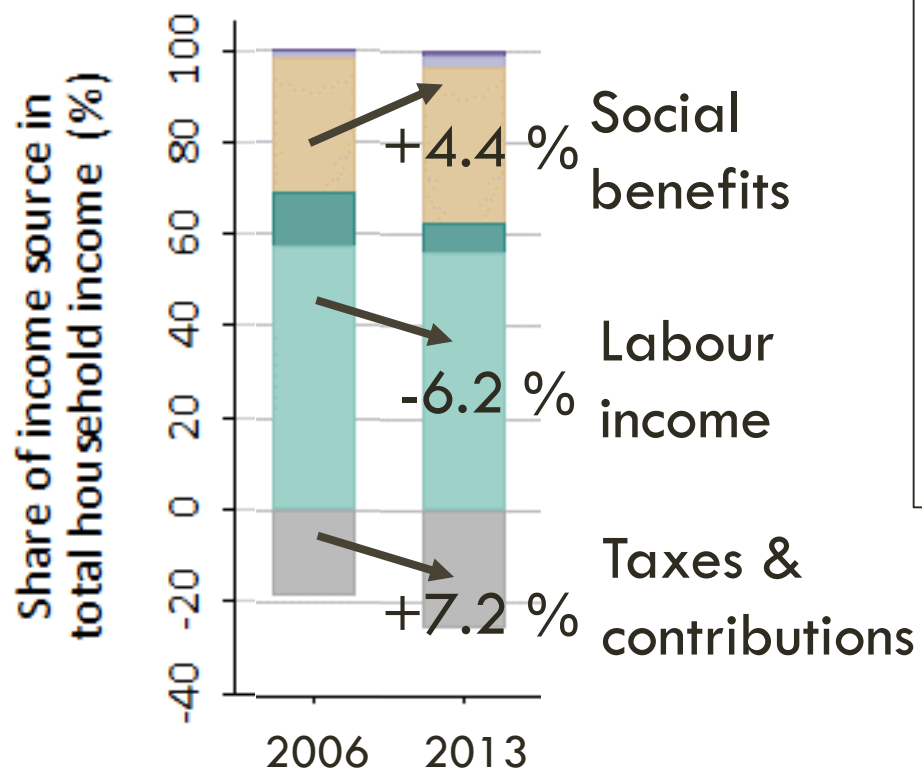
## FACTOR DECOMPOSITION (2013)





## COUNTRY EXAMPLE: PORTUGAL

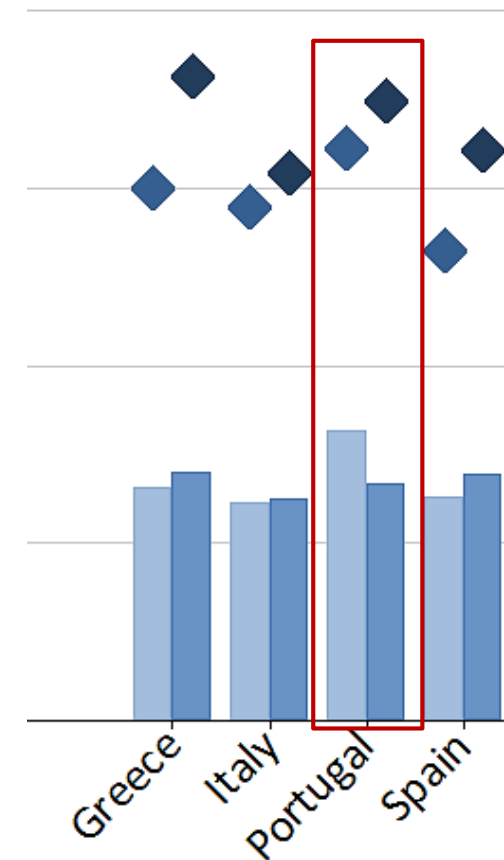
### Income shares



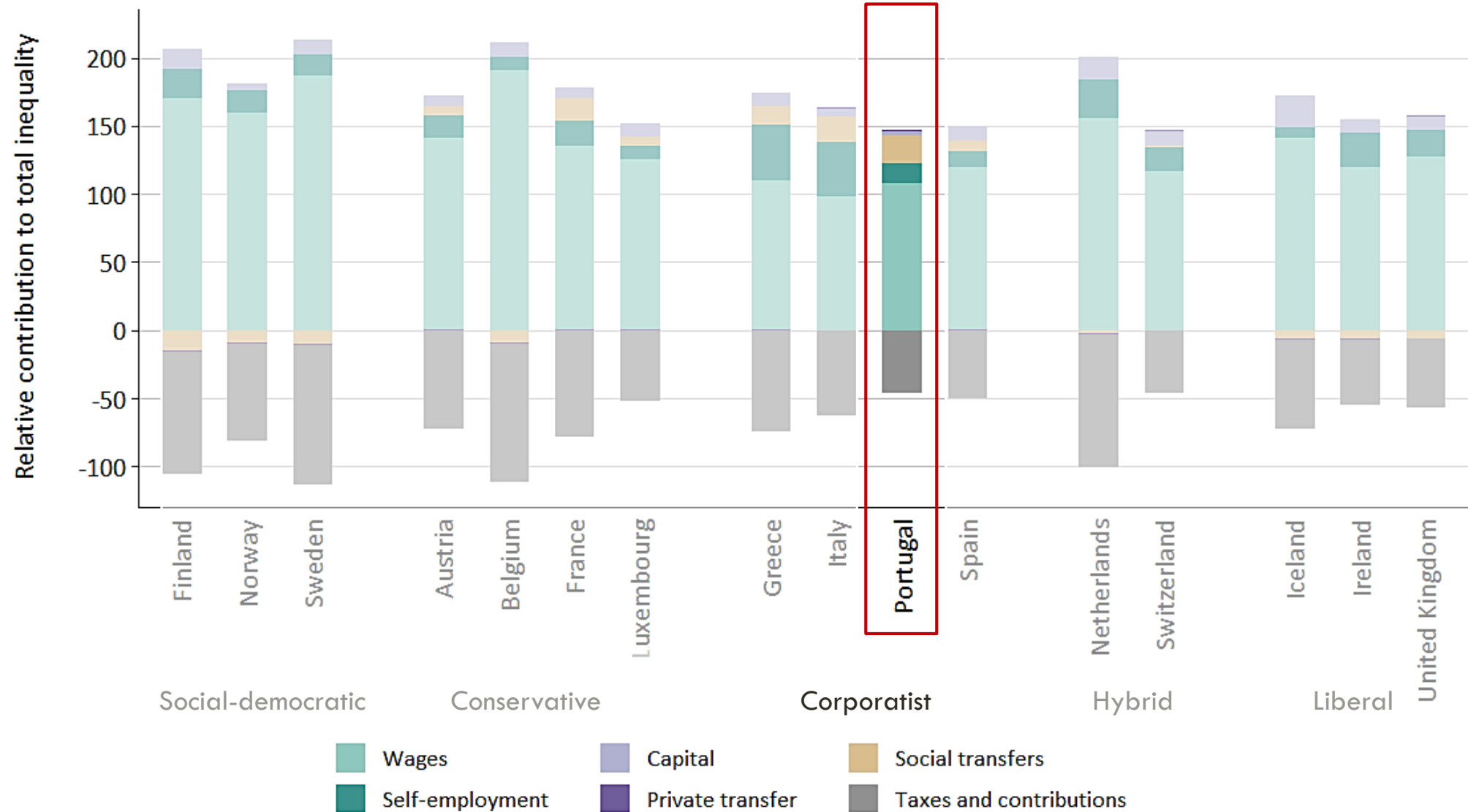
### Public expenditure (% of GDP)

overall	↗	3.8 %
old age	↗	3.3 %
unemployment	↗	0.6 %

### Inequality



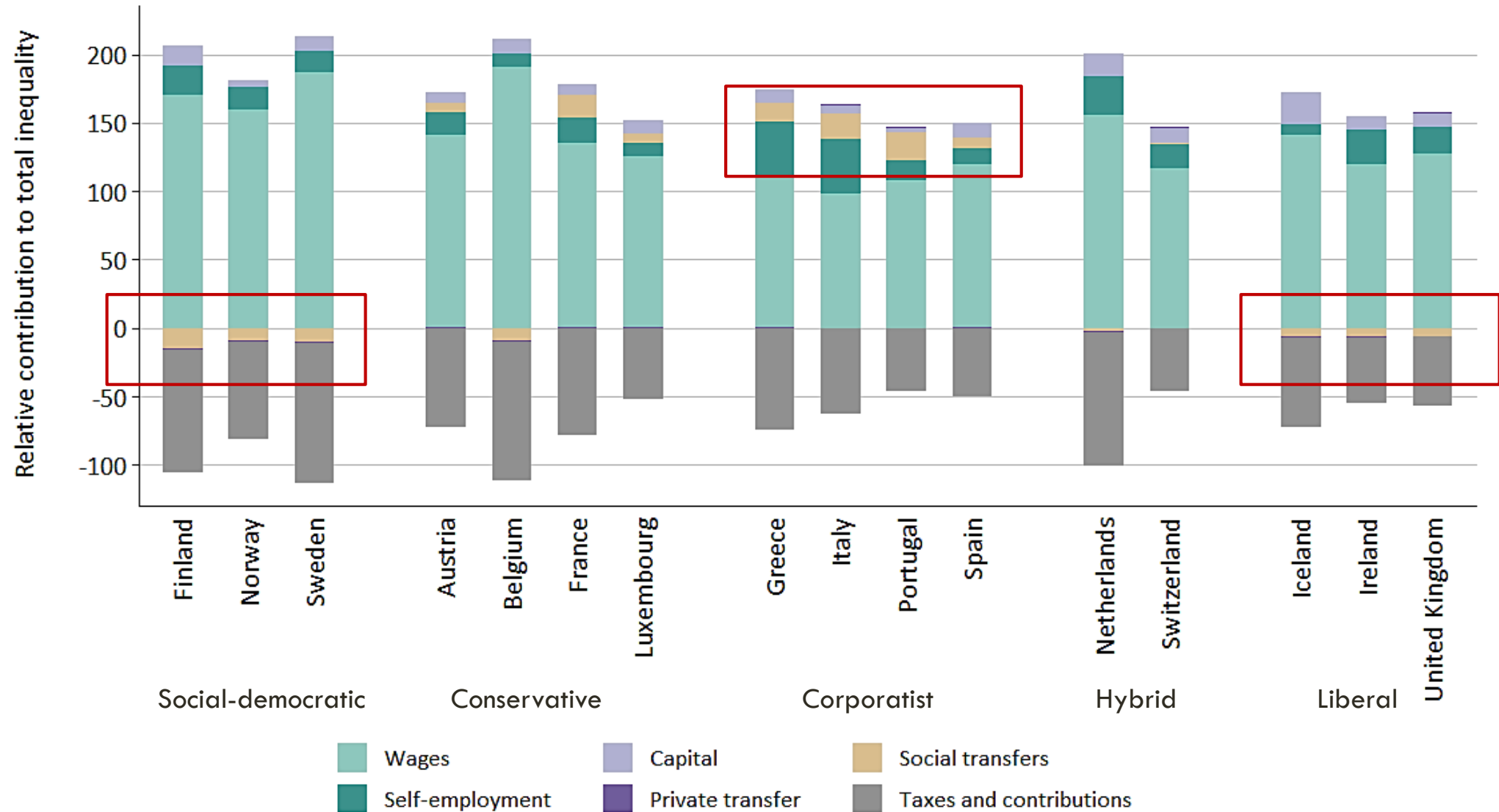
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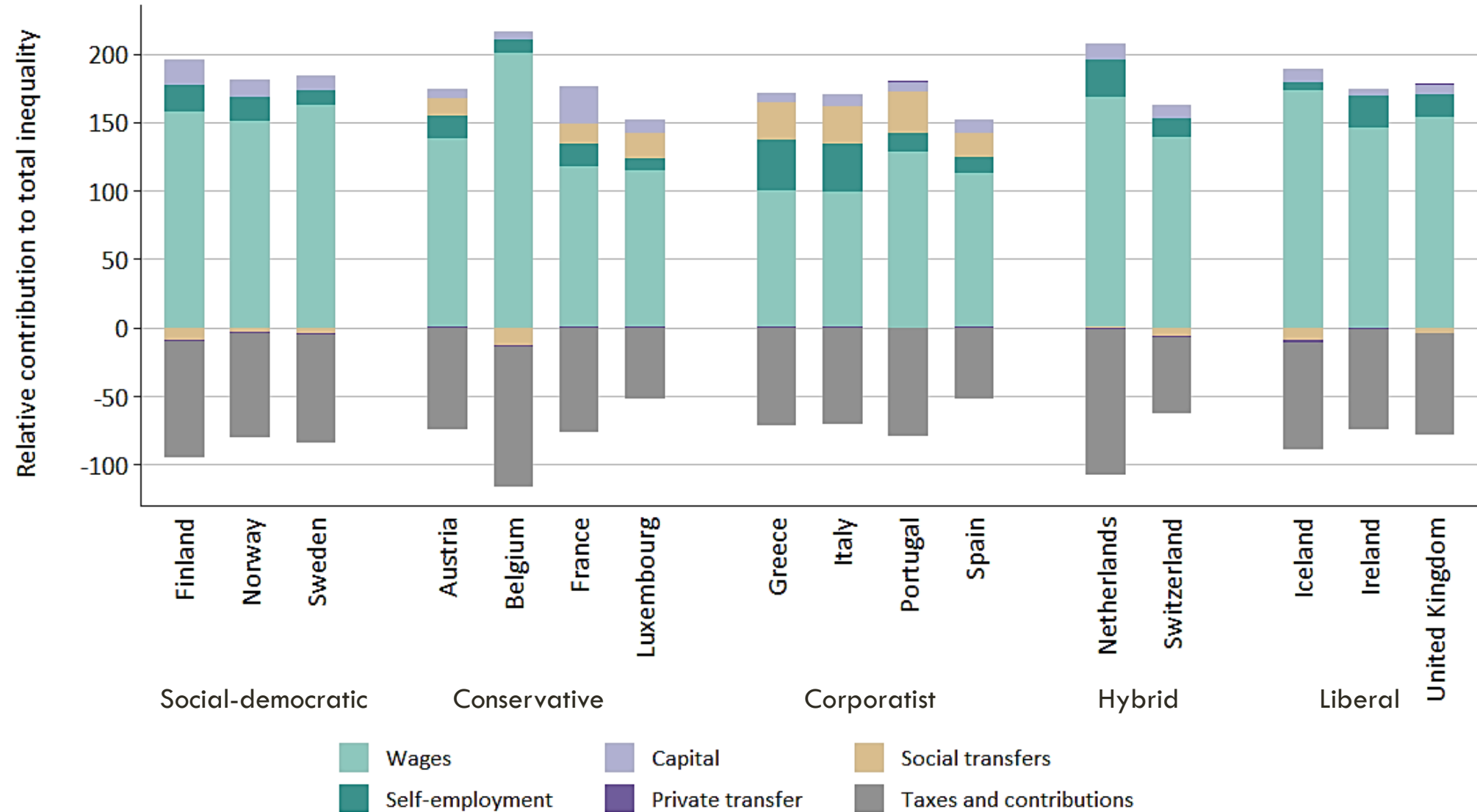
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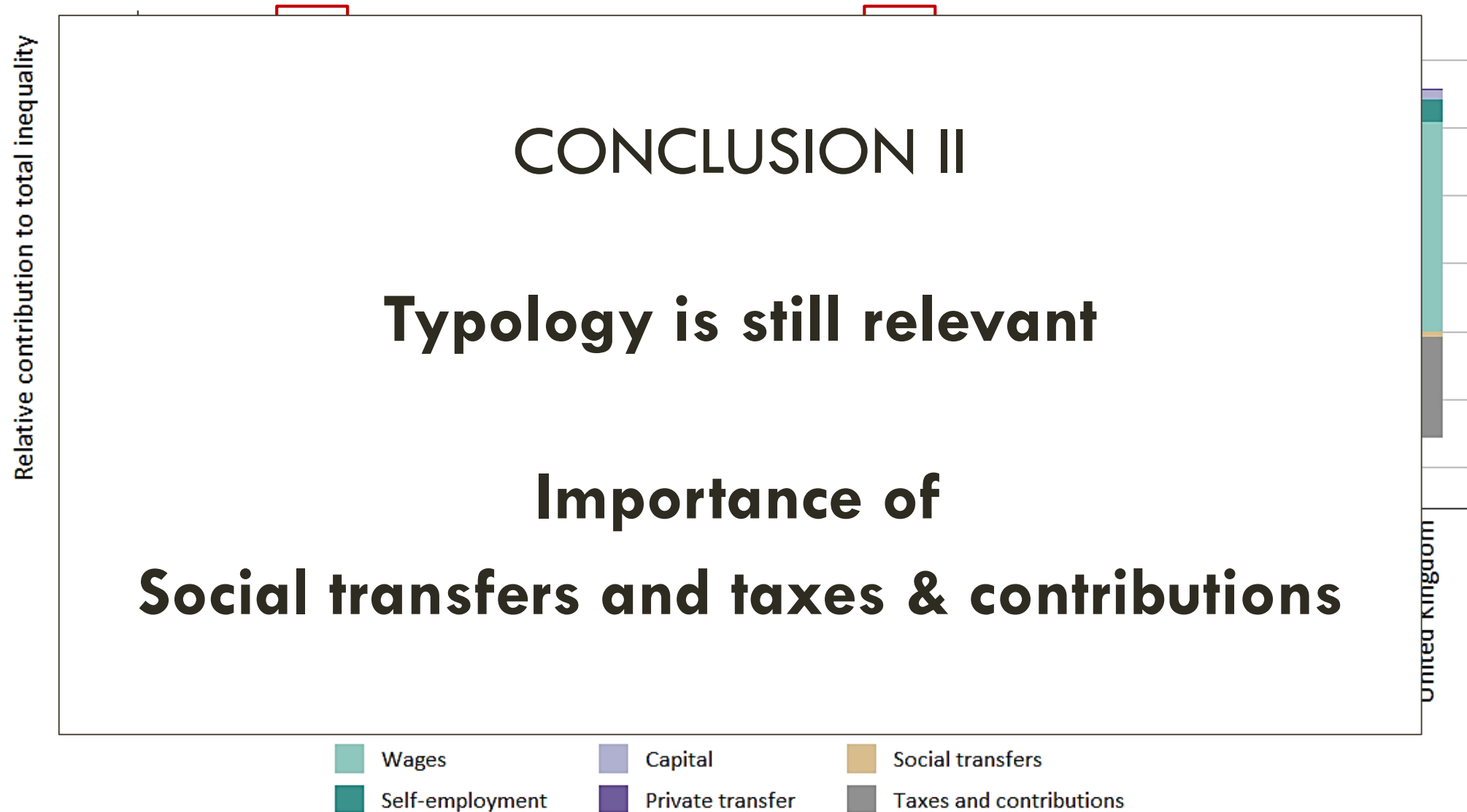
## FACTOR DECOMPOSITION (2006)



## FACTOR DECOMPOSITION (2013)



## FACTOR DECOMPOSITION (2013)



# WHAT ARE THE PUBLIC ATTITUDES?

Attitudes  
Data: EVS

# PUBLIC ATTITUDES

- **Public opinion shape policies** (and vice versa!)
- Inequality
  - Incomes should be made more equal
- Government responsibility
  - Liberal: individuals should take more responsibility
  - Southern: state should take more responsibility; more polarization
- Confidence in social security system
  - Increase in most countries
  - Decrease in NO, SE, AT

# PUBLIC ATTITUDES

## CONCLUSION III

**Public opinion ↔ Policy**

**Consensus that welfare state is important**

- Public opinion
- Increase in most countries
- Decrease in NO, SE, AT
- Confidence in social security system
  - Increase in most countries
  - Decrease in NO, SE, AT

# WRAP UP

- Welfare states persist, many have expanded
- Differences between welfare state types persist
- Public attitudes: consensus that welfare system is important

# THANK YOU FOR YOUR ATTENTION

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