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

- 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?
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
• **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
Praise, critique, further development
Country categorization: Southern countries, Antipodean, CEE
Application to other dimensions; family / gender
Convergence?
FRAMEWORK

THE THREE WORLDS OF WELFARE CAPITALISM

- **Social-democratic**: Scandinavia
  - Social equality
  - Universalistic, de-commodifying programs

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  - Social cohesion
  - Family and occupational groups; State as subsidiary

- **Liberal**: Anglo-Saxon
  - Liberty, freedom and autonomy
  - Market institutions dominate

- **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
Main trends by expenditure type:
• Old age
• Sickness/health care
• Unemployment
• Family/children
• Disability
• Survivors
• Housing
• Social exclusion n.e.c.
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CONCLUSION 1

No collapse of the welfare state!
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

\[ \text{Disposable income} = \left( \frac{\text{Wages} + \text{Bonuses} + \text{Employer contributions} + \text{Income from self-employment} + \text{Own production} + \text{Capital} + \text{Investment} + \text{Private transfers}}{\text{Market income}} - \text{Taxes and contributions to social security} \right) \]
Total income $Y$ consists of $k = 1, \ldots, K$ 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

Market income:
- 2006
- 2013

Disposable income:
- 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

Labour income

Social transfers

percentage points

Finland
Norway
Sweden
Austria
Belgium
France
Luxembourg
Greece
Italy
Portugal
Spain
Netherlands
Switzerland
Iceland
Ireland
United Kingdom

percentage points

Finland
Norway
Sweden
Austria
Belgium
France
Luxembourg
Greece
Italy
Portugal
Spain
Netherlands
Switzerland
Iceland
Ireland
United Kingdom
COUNTRY EXAMPLE: SWEDEN

Public expenditure (% of GDP)

- overall: +1.4%
- old age: +2.0%
- unemployment: -0.2%
- disability: -0.6%

Income shares

- Social benefits: -1.4%
- Labour income: +1.1%
- Taxes & contributions: -5.3%

Inequality
FACTOR DECOMPOSITION (2013)

The diagram shows the relative contribution to total inequality for various countries categorized by political systems: Social-democratic, Conservative, Corporatist, Hybrid, and Liberal. Each country is represented by a bar chart indicating the contribution of wages, self-employment, capital, private transfers, social transfers, and taxes and contributions to overall inequality.

Countries highlighted include:
- Finland
- Norway
- Sweden (boxed for emphasis)
- Austria
- Belgium
- France
- Luxembourg
- Greece
- Italy
- Portugal
- Spain
- Netherlands
- Switzerland
- Ireland
- United Kingdom

The chart visually compares how different factors contribute to inequality across these countries.
COUNTRY EXAMPLE: PORTUGAL

Public expenditure (% of GDP)

- overall: 3.8%
- old age: 3.3%
- unemployment: 0.6%

Income shares

- Share of income source in total household income (%)
  - Social benefits: +4.4%
  - Labour income: -6.2%
  - Taxes & contributions: +7.2%

Inequality

- Greece
- Italy
- Portugal
- Spain
FACTOR DECOMPOSITION (2013)
CONCLUSION II

Typology is still relevant

Importance of
Social transfers and taxes & contributions
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

Source: European Values Study (longitudinal), 1999/2000, 2008/9
PUBLIC ATTITUDES

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CONCLUSION III

Public opinion ↔ Policy

Consensus that welfare state is important
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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