Introduction to the Welfare State

Definitions and Indicators

rszarf.ips.uw.edu.pl/welfare-state
Welfare state as a research topic

1. **Conceptualization** - what is the welfare state? What are its main features, characteristics?

2. **Methodology** - how to do research on the welfare state? (Quantitatively or qualitatively or both, which means mixed methodology)

3. **Quantitative methodology – measurement of the welfare state**
   a. Choosing the welfare state variables from conceptualisation phase
   b. **Operationalization** - how to measure the welfare state?
   c. **Measurement** - what data we need to calculate measures and how to obtain it?
   d. **Analysis and interpretation** - what calculated statistical indicators of the welfare state tell us about its determinants, priorities, successes, reforms etc.?
From conceptualization to conclusions in quantitative methodology

The welfare state – complex social entity (indicatum)

Indicators – observable and measurable

Measures of indicators

Conclusions about the welfare state

Analysis of calculated measures

Calculation of measures

Gathering data
Conceptualisation of the Welfare State (and social policy)
Polity, politics, policy

• Polity is a territorial and political organization of the residents-citizens (state is a synonymous with polity)
• Politics is an activity which main aim is to win power over the polity or the state (political parties as the main actors)
• Policy is an activity which main instrument is power over the state. The government should use this power, but to what? Welfare of the society? Resolution of society’s problems? (governments and public administration as the main actors)
From politics to policy

Politics

Rational actions to win state power

Power over the state

Rational actions to use state power

Policy

Other goals than win power over the state e.g. resolving society’s problems
Problems and solutions

Resolving society’s problems by application of state power

Economic problems

Social problems

Other problems

But can we distinguish easily between economic and social problems? PUBLIC POLICY
What is distinct in welfare states in comparison with other non-welfare states? What types of the welfare state exist?

What is distinct in social policies in comparison with other non-social policies? What types of social policies exist?

What are connections between welfare state and social policy?
Perspectives of thinking about social policy

• Two perspectives mentioned by Titmuss
  – Normative: „Are we concerned with principles and objectives about certain areas of social life and organisation?”
  – Instrumental: or „with methods and techniques of action, management, organisation and the application of games theory?”

• We can define social policy in terms of principles and objectives (e.g. social justice, social solidarity, freedom, eradication of poverty) and/or methods and techniques (e.g. economic policy, redistributive policy)
Problem with normative perspective

• Is social policy inherently beneficial for the poor or socially excluded?

• Examples of rather non-beneficial social policies
  – Soviet Union social policy
  – Nazi Germany social policy
  – South Africa social policy in the time of apartheid system
  – Third world corrupted states social policies with distribution of resources from the poor to the rich
  – Social policies of colonial powers in the colonies
  – Patriarchal social policies

• Social policies vs antisocial policies

• What is 'welfare' for some groups may be 'illfare' for others
Two types of instrumental definitions (Titmuss)

• Social policy as an instrument to promote altruism vs egoism in society
• Social policy as instruments of ensuring for everyone minimum standards and opportunities
  – *aim to be beneficent* - policy is directed to provide welfare for citizens
  – they include *economic as well as non-economic objectives*; for example, minimum wages, minimum standards of income maintenance and so on.
  – they involve some measure of *progressive redistribution* in command-over-resources from rich to poor
Operationalisation
Measurement – for what?

• To make research on the welfare state more quantitative
• To test hypotheses about the welfare state with quantitative methods
• To make social policy management more rational (evidence based)
• To characterize different welfare states
• To compare different welfare states
• To evaluate different welfare states
What to measure – efforts or results?

• **Welfare effort (size)** – how much we spend on social policies
  – Aggregated indicators (e.g. sum of spending on 38 social programs in GDP)
  – Disaggregated indicators (spending on several different groupings of social programs)

• **Welfare outcomes (success)** – what we achieve in terms of social problems indicators e.g. poverty rate, social exclusion indicator, Gini coefficient (inequality indicator), unemployment rate
Welfare state size and results

Welfare State – many different social policies and programs

By efforts we achieve outcomes

Measures of effort

Measures of outcome
Against aggregated spending indicators

• ‘By scoring welfare states on spending, we assume that all spending counts equally’
  – Spending on policies which fail in extending social citizenship (e.g. programs for already well off, programs sitigmatising welfare clients)
  – Spending on policies which are deemed as successful in extending social citizenship (e.g. health care for all, pensions for all elder citizens, minimum income guarantee without sitgmatising effects)

• ‘Not all spending counts the same’
Welfare state size, success and generosity

WELFARE EFFORT

Welfare State – many different social policies and programs

WELFARE OUTCOME

Measures of effort

Measures of eligibility and generosity

Measures of outcome

Size and structure

By efforts we achieve outcomes

Success or failure

Aggregated / disaggregated

Aggregated / disaggregated

Aggregated / disaggregated
How to measure social spending?

1. Find all the social policy programs
   - Cash benefits
   - Social Services
2. Calculate all costs of all social policy programs
3. Add all costs for all social programs
4. Calculate total national income
5. Calculate share of the 3 in 4
6. Express 5 as a percentage
Structure of the SOCX (social expenditure) OECD database – public and mandatory private programmes

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td>OLD AGE</td>
<td>Cash benefits, Pension, Early retirement pension, Other cash benefits</td>
</tr>
<tr>
<td></td>
<td>Benefits in kind, Residential care / Home-help services, Other benefits in kind</td>
</tr>
<tr>
<td>SURVIVORS</td>
<td>Cash benefits, Pension, Other cash benefits</td>
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<tr>
<td></td>
<td>Benefits in kind, Funeral expenses, Other benefits in kind</td>
</tr>
<tr>
<td>INCAPACITY-RELATED BENEFITS</td>
<td>Cash benefits, Disability pensions, Pensions (occupational injury and disease)</td>
</tr>
<tr>
<td></td>
<td>Paid sick leave (occupational injury and disease), Paid sick leave (other sickness daily allowances), Other cash benefits</td>
</tr>
<tr>
<td></td>
<td>Benefits in kind, Residential care / Home-help services, Rehabilitation services, Other benefits in kind</td>
</tr>
<tr>
<td>HEALTH</td>
<td>Benefits in kind</td>
</tr>
<tr>
<td>FAMILY</td>
<td>Cash benefits, Family allowances, Maternity and parental leave, Other cash benefits</td>
</tr>
<tr>
<td></td>
<td>Benefits in kind, Day care / Home-help services, Other benefits in kind</td>
</tr>
<tr>
<td>ACTIVE LABOUR MARKET PROGRAMMES</td>
<td>Employment service and administration, Labour market training, Youth measures, Subsided employment, Employment measures for disabled</td>
</tr>
<tr>
<td>UNEMPLOYMENT</td>
<td>Cash benefits, Unemployment compensation / severance pay, Early retirement for labour market reasons</td>
</tr>
<tr>
<td></td>
<td>Benefits in kind</td>
</tr>
<tr>
<td>HOUSING</td>
<td>Benefits in kind, Housing assistance, Other benefits in kind</td>
</tr>
<tr>
<td>OTHER SOCIAL POLICY AREAS</td>
<td>Cash benefits, Income maintenance, Other cash benefits</td>
</tr>
<tr>
<td></td>
<td>Benefits in kind, Social assistance, Other benefits in kind</td>
</tr>
</tbody>
</table>

*Remember: education expenditure is excluded in that database*
Public social spending in GDP – Nordic countries

SOCX database, OECD
Public social spending in GDP – anglosaxon countries
Public social spending in GDP – southern Europe
Comparison of averages

Total public social spending in GDP


Average anglosaxon  Average nordic  Average continental  Average southern
Postcommunist world

![Graph showing total expenditure on social protection (% of GDP) from 1996 to 2007 for various countries including Bulgaria, Czech Republic, Hungary, Estonia, Lithuania, Poland, Latvia, Romania, Slovakia, and the average. The graph indicates a general trend of decreasing expenditure over time.]
Social spending in OECD – total and disaggregated on four categories

Data for 2003, Castles
Social spending in EU – total and on six programs

data for 2007, EU Report, 2010
Public social expenditure by broad social policy area, 2005

Adema, Ladaique, OECD, 2009
Welfare state generosity idea

• Replacement rate: if my wage was 500$ a week when I was working, after I was fired I am entitled to unemployment benefit at 200$, so replacement rate in that case is $200/500*100% = 40\%$ (the higher rate, the more generous scheme)

• Number of unemployed receiving unemployment benefits could be 100% or less (coverage, take-up, the higher coverage, the more generous scheme)

• Unemployment benefits could be paid over the longer or shorter period (the longer, the more generous scheme)
Welfare state generosity trends – Nordic countries

Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database
Welfare state generosity trends – continental Europe

Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database
Welfare state generosity trends – anglosaxon countries

Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database
Welfare state outcome measurement

• Welfare state – for what?
  – To reduce poverty
  – To reduce inequality
  – To reduce social exclusion

• What is success then? When poverty, inequality and social exclusion are minimalized

• If we can measure poverty, inequality and social exclusion, then we can see what results the welfare states have
Welfare state outcomes and social problems indicators

Measurement before WS

- Poverty measure: P1
- Inequality measure: I1
- Exclusion measure: E1

Measurement after WS

- Poverty measure: P2
- Inequality measure: I2
- Exclusion measure: E2

Impact measures of the WS

- Impact on poverty measure: \( P1 - P2 \geq 0 \)
- Impact on inequality measure: \( I1 - I2 \geq 0 \)
- Impact on exclusion measure: \( E1 - E2 \geq 0 \)
Poverty reduction rate

Impact of social transfers (excluding pensions) on the at-risk-of-poverty rate (below 60% of median) for the total population (percentage reduction), 2007
Inequality reduction by social transfers and taxation

Table 1 Redistribution of income

<table>
<thead>
<tr>
<th>Country</th>
<th>Gini coefficient</th>
<th>Reduction of inequality (percentages)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>earned income</td>
<td>gross income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>income distr.</td>
</tr>
<tr>
<td>Sweden (1992)</td>
<td>0.550</td>
<td>38</td>
</tr>
<tr>
<td>Denmark (1992)</td>
<td>0.546</td>
<td>32</td>
</tr>
<tr>
<td>Norway (1995)</td>
<td>0.513</td>
<td>26</td>
</tr>
<tr>
<td>Netherlands (1996)</td>
<td>0.484</td>
<td>31</td>
</tr>
<tr>
<td>Germany (1994)</td>
<td>0.550</td>
<td>29</td>
</tr>
<tr>
<td>Belgium (1992)</td>
<td>0.534</td>
<td>35</td>
</tr>
<tr>
<td>Canada (1994)</td>
<td>0.509</td>
<td>26</td>
</tr>
<tr>
<td>United Kingdom (1995)</td>
<td>0.595</td>
<td>29</td>
</tr>
<tr>
<td>Australia (1989)</td>
<td>0.490</td>
<td>19</td>
</tr>
<tr>
<td>United States (1994)</td>
<td>0.528</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: LIS, Statistics Netherlands (IPO'96)