Introduction to the Welfare State
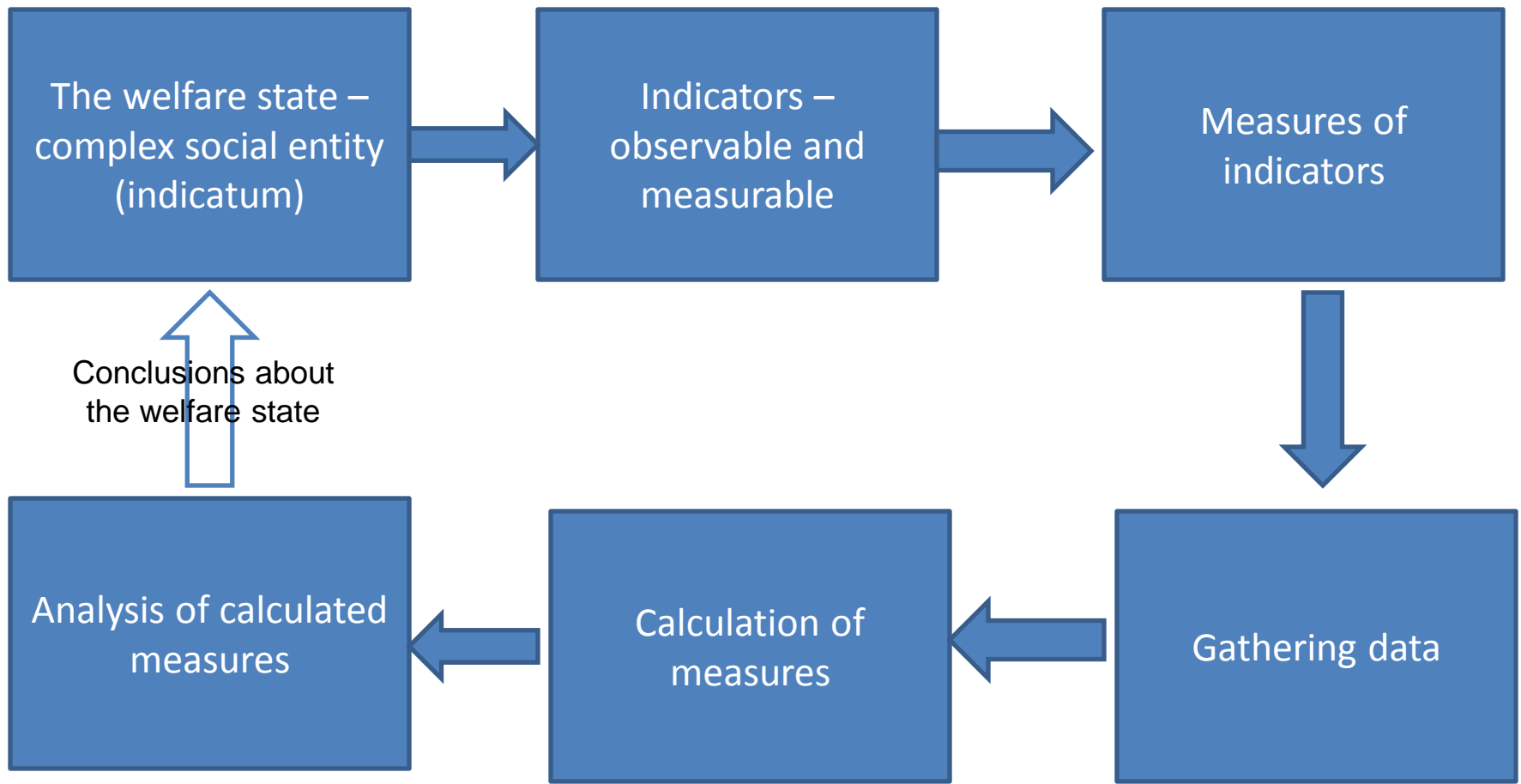
Definitions and Indicators

rszarf.ips.uw.edu.pl/welfare-state

Welfare state as a reserach 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 metodology – 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

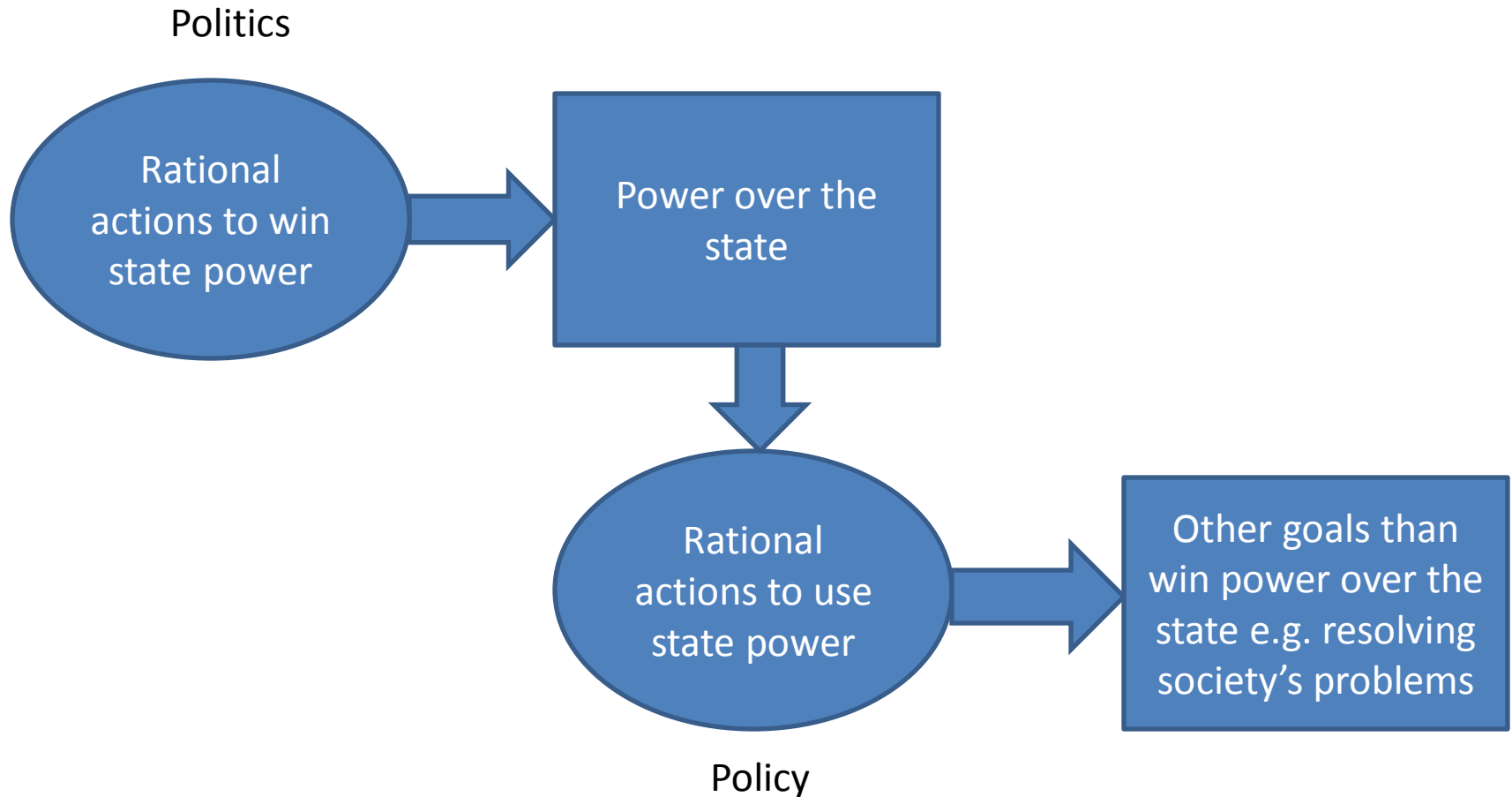| Analysis of calculated measures	←	Calculation of measures	←	Gathering data

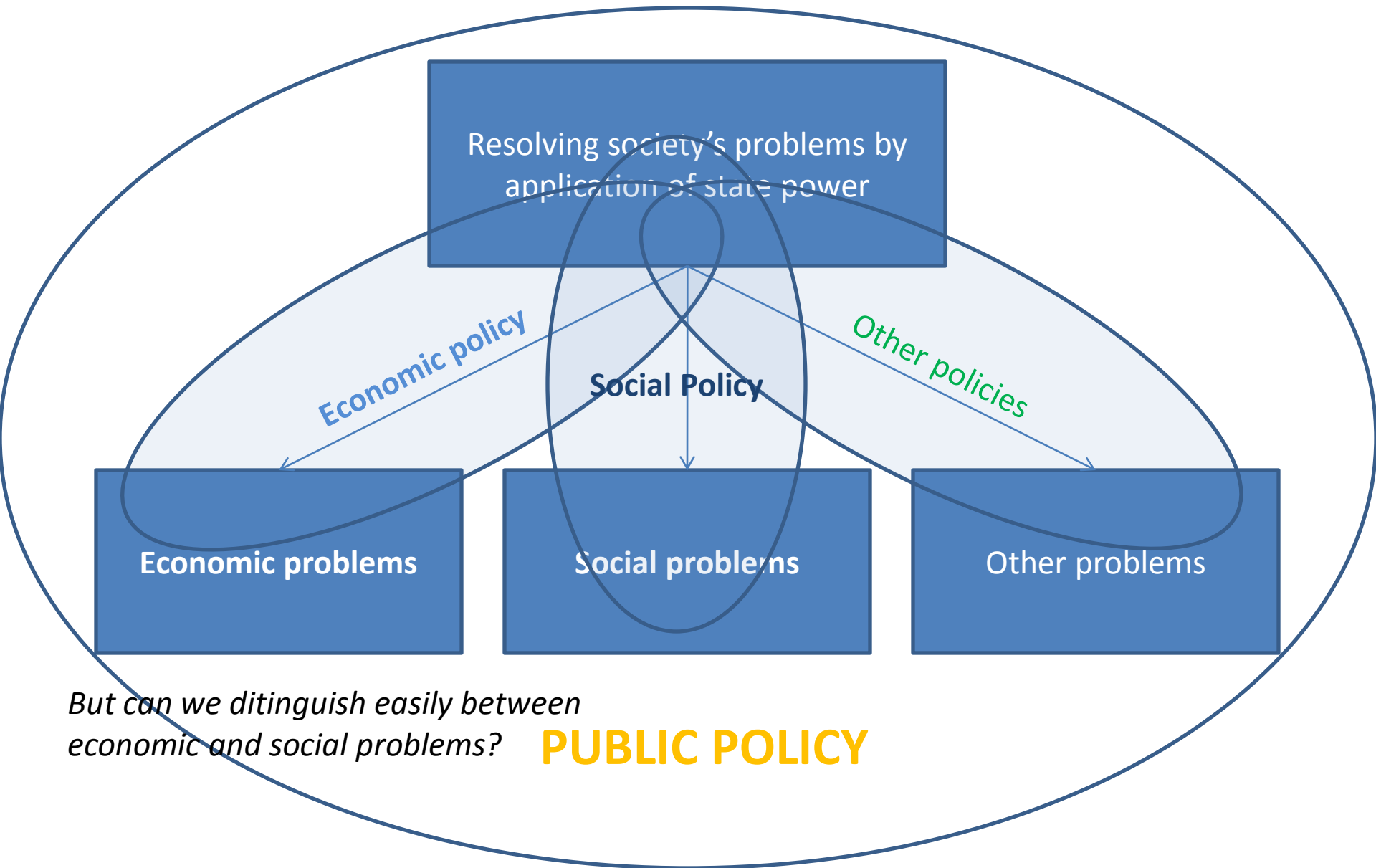# Conceptualisation of the Welfare State (and social policy)

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)
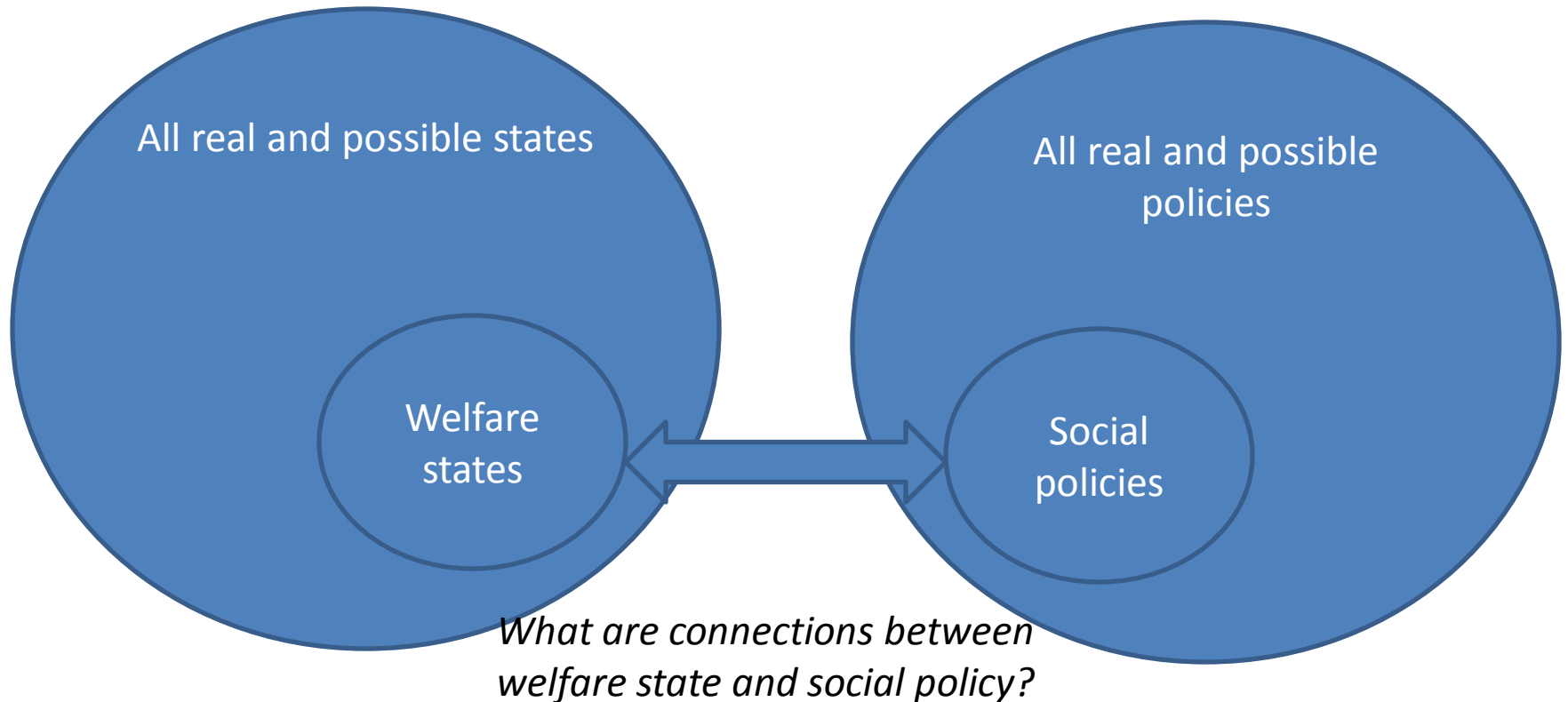
From politics to policy

Politics

Rational actions to win state power → **Power over the state**

↓

Rational actions to use state power → **Other goals than win power over the state e.g. resolving society's problems**

Policy

Problems and solutions

Resolving society's problems by application of state power

Economic policy

Social Policy

Other policies

Economic problems

Social problems

Other problems

But can we ditinguish easily between economic and social problems?

PUBLIC POLICY

States and policies

All real and possible states

Welfare states

All real and possible policies

Social policies

What are connections between welfare state and social 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 poicies in comparison with other non-social policies? What types of social policies exist?

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
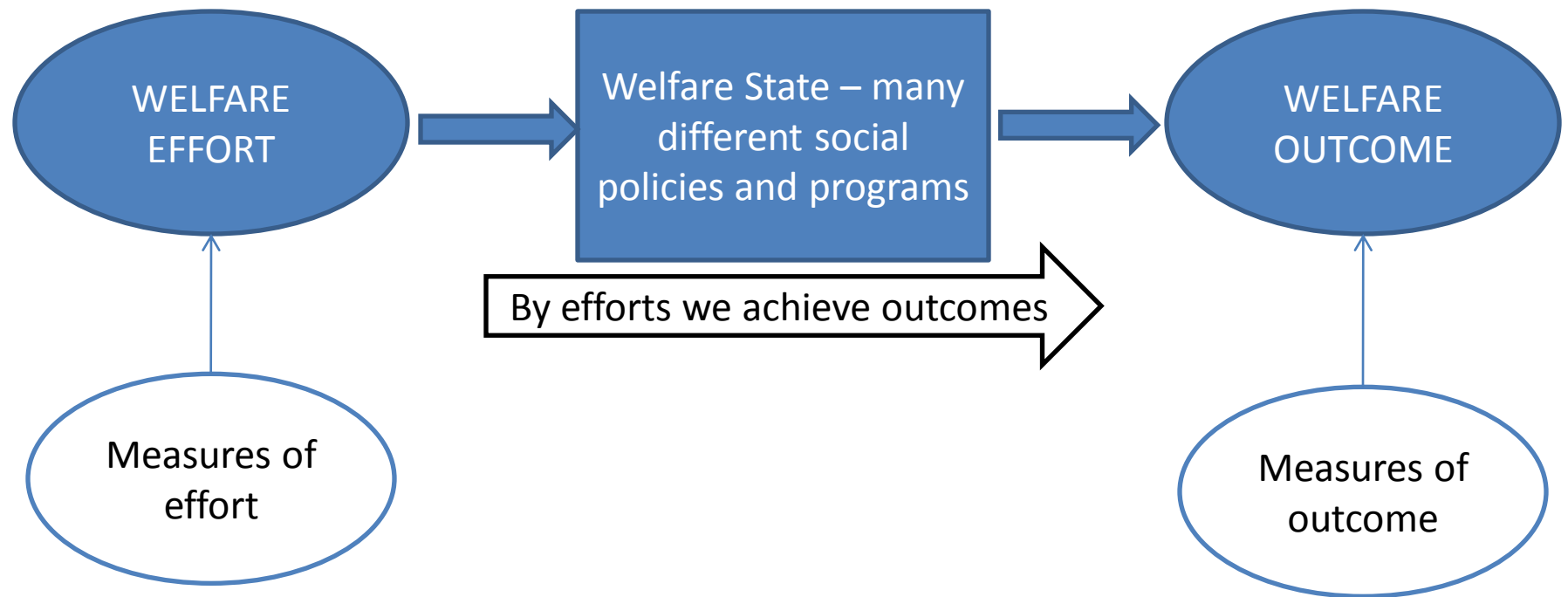
Operationalisation

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
  - Agregated indicators (e.g. sum of spending on 38 social programs in GDP)
  - Disagregated indicators (spending on several different groupings of social programs)
- **Welfare otcomes (success)** – what we achieve in terms of social problems indicators e.g. poverty rate, social exclusion indicator, Gini coefficient (inequality indicator), unemployment rate
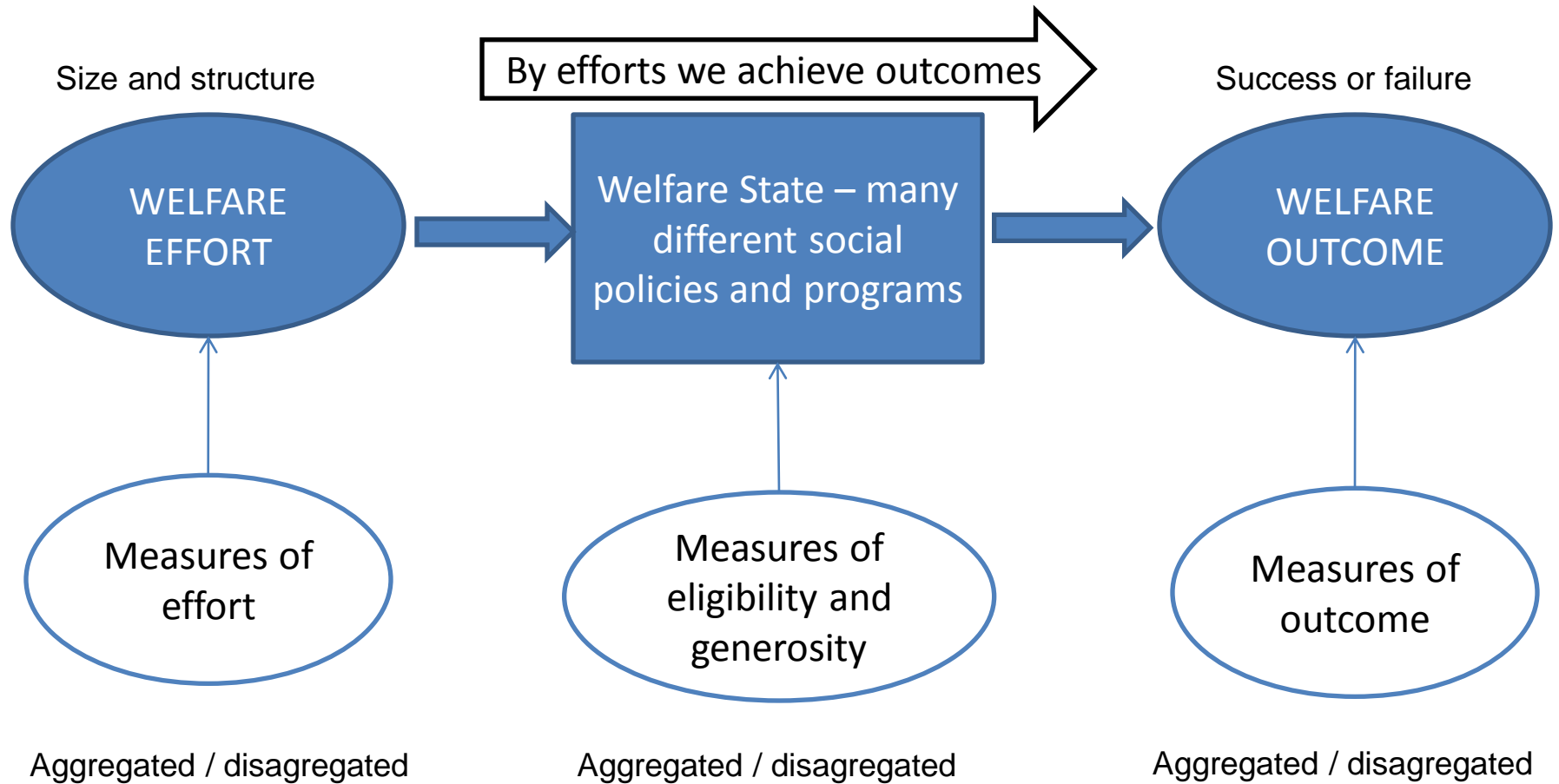
Welfare state size and results

WELFARE EFFORT

Welfare State – many different social policies and programs

WELFARE OUTCOME

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 wihout sitgmatising effects)
- 'Not all spending counts the same'

Welfare state size, success and generosity

Size and structure

By efforts we achieve outcomes

Success or failure

WELFARE EFFORT

Welfare State – many different social policies and programs

WELFARE OUTCOME

Measures of effort

Measures of eligibility and generosity

Measures of outcome

Aggregated / disagregated

Aggregated / disagregated

Aggregated / disagregated

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

1. OLD AGE
    Cash benefits
        Pension
        Early retirement pension
        Other cash benefits
    Benefits in kind
        Residential care / Home-help services
        Other benefits in kind

2. SURVIVORS
    Cash benefits
        Pension
        Other cash benefits
    Benefits in kind
        Funeral expenses
        Other benefits in kind

3. INCAPACITY-RELATED BENEFITS
    Cash benefits
        Disability pensions
        Pensions (occupational injury and disease)
        Paid sick leave (occupational injury and disease)
        Paid sick leave (other sickness daily allowances)
        Other cash benefits
    Benefits in kind
        Residential care / Home-help services
        Rehabilitation services
        Other benefits in kind

4. HEALTH
    Benefits in kind

Remember: education expenditure is excluded in that database

5. FAMILY
    Cash benefits
        Family allowances
        Maternity and parental leave
        Other cash benefits
    Benefits in kind
        Day care / Home-help services
        Other benefits in kind

6. ACTIVE LABOUR MARKET PROGRAMMES
        Employment service and administration
        Labour market training
        Youth measures
        Subsided employment
        Employment measures for disabled

7. UNEMPLOYMENT
    Cash benefits
        Unemployment compensation / severance pay
        Early retirement for labour market reasons
    Benefits in kind
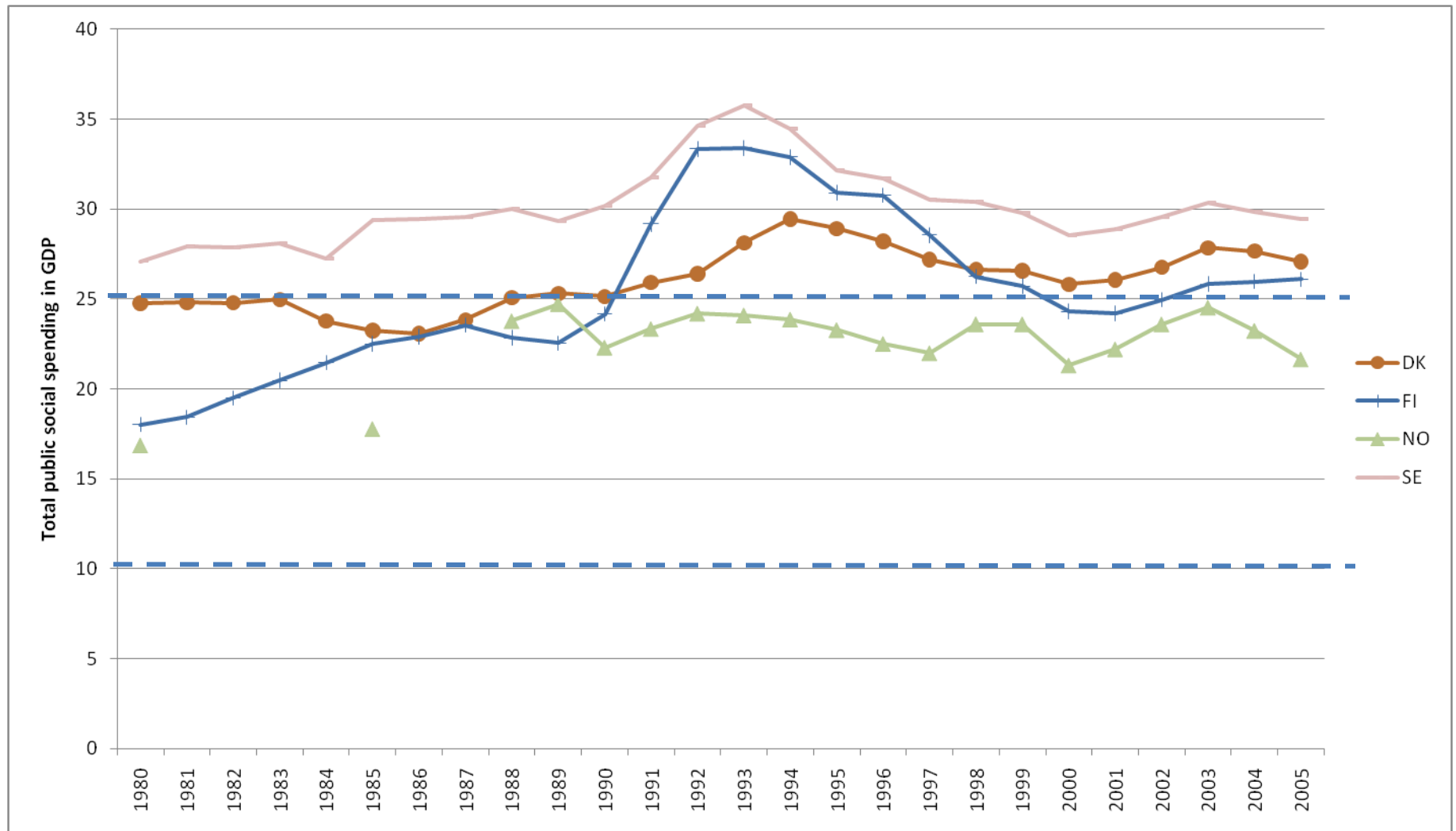
8. HOUSING
    Benefits in kind
        Housing assistance
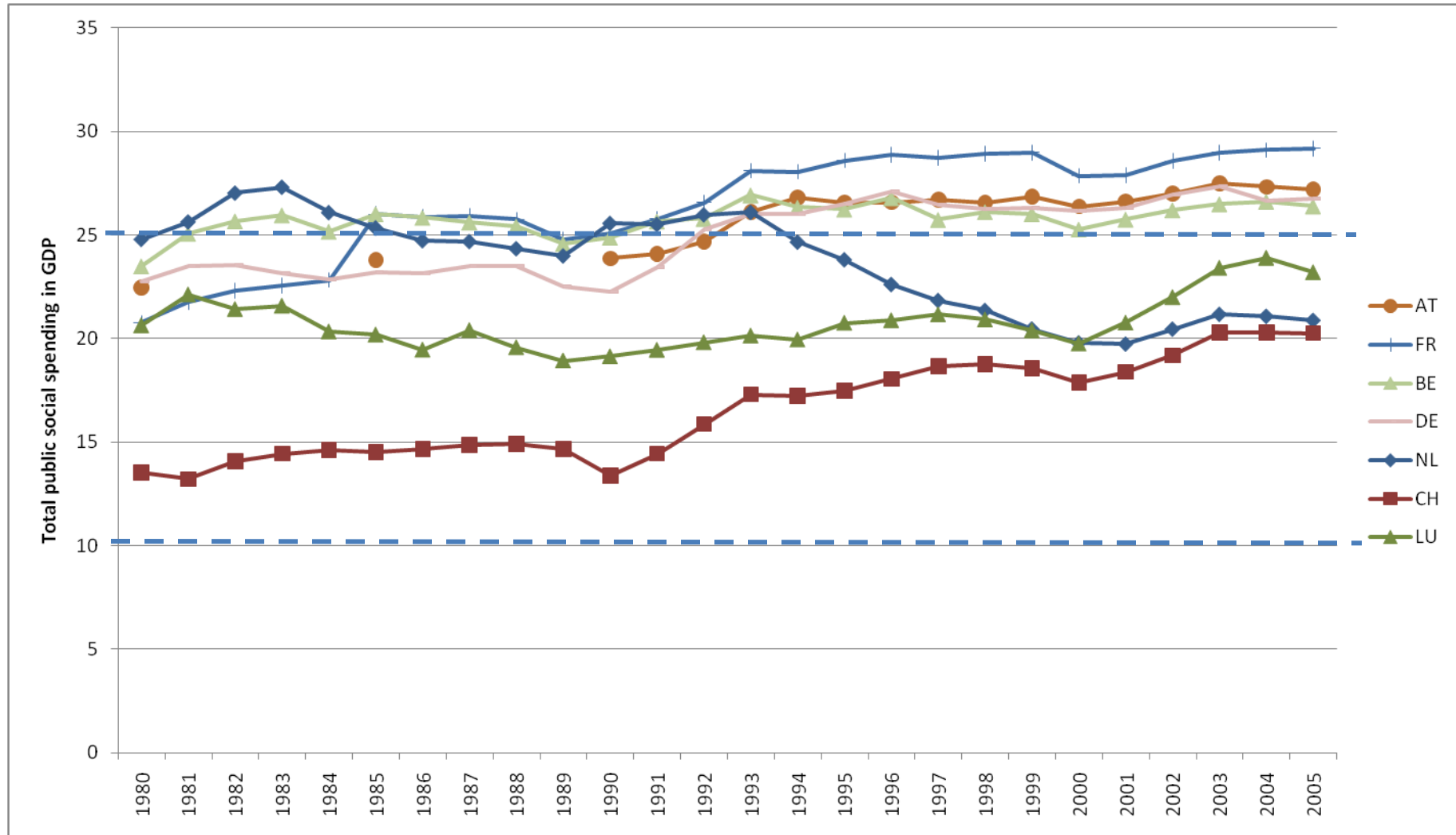   Other benefits in kind

9. OTHER SOCIAL POLICY AREAS
    Cash benefits
        Income maintenance
        Other cash benefits
    Benefits in kind
        Social assistance
        Other benefits in kind

Public social spending in GDP – Nordic countries

SOCX database, OECD

Public social spending in GDP – continental Europe
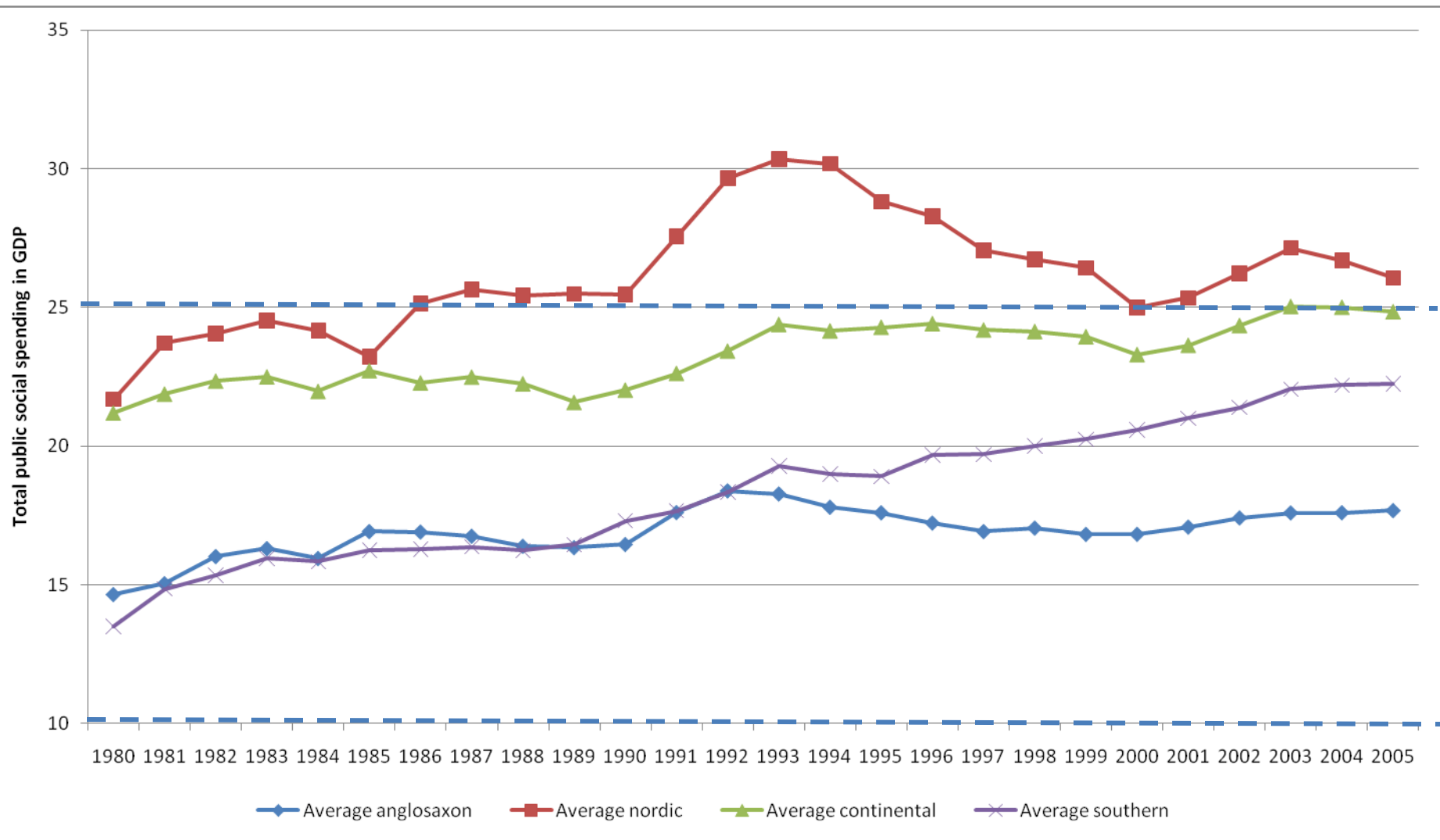

SOCX database, OECD

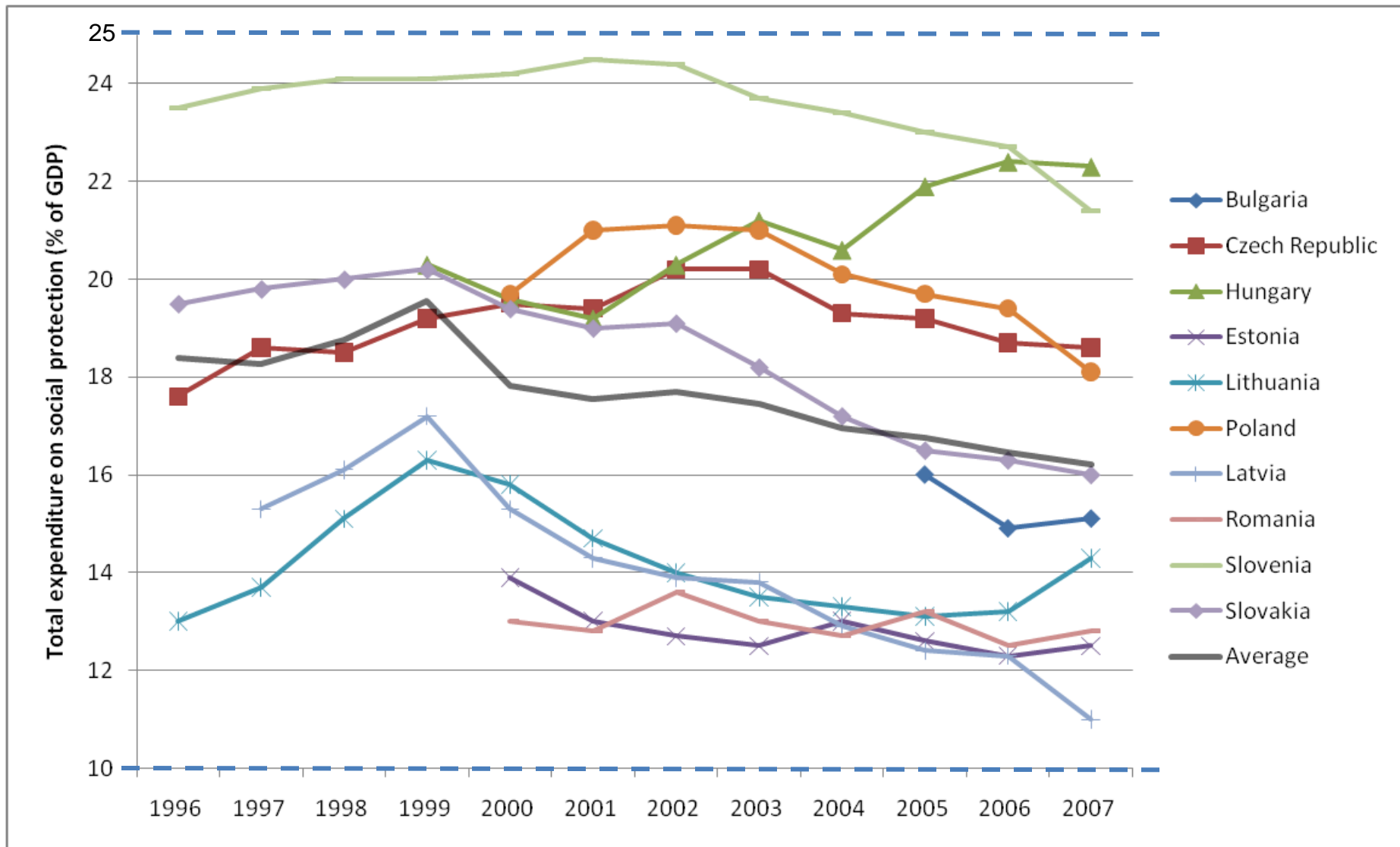# Public social spending in GDP – anglosaxon countries
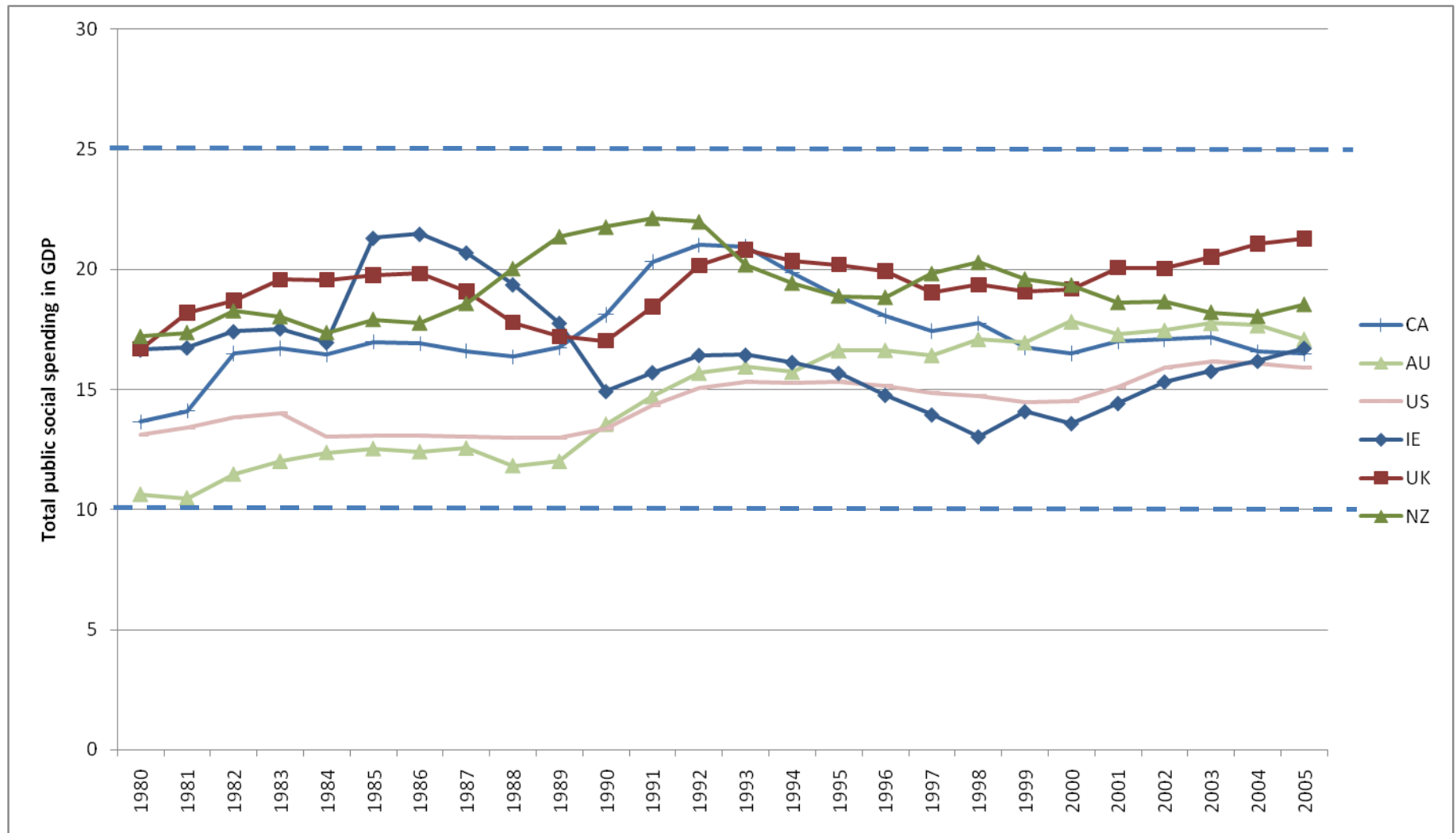
Public social spending in GDP – southern Europe
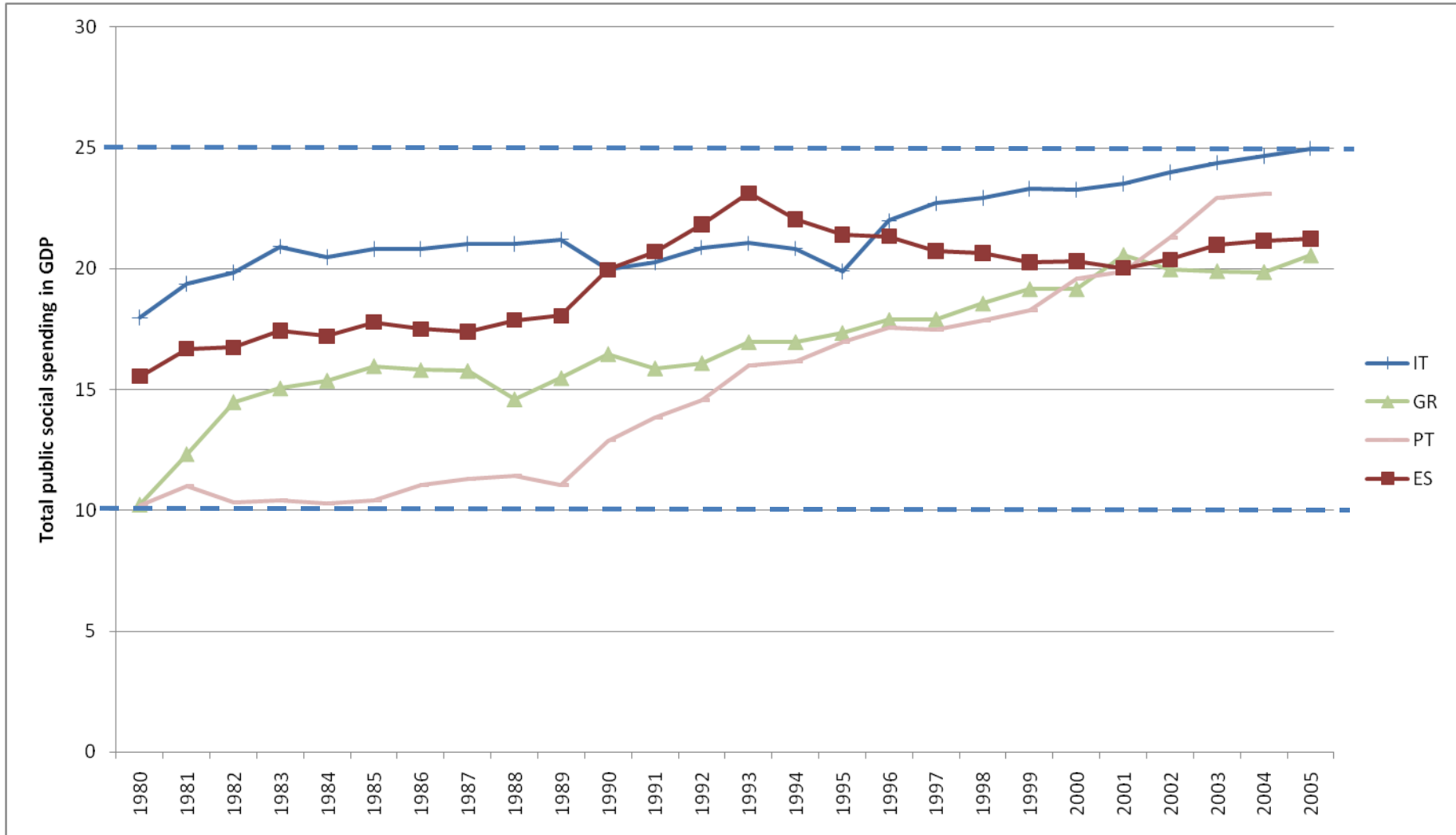
Comparison of averages

Postcommunist world
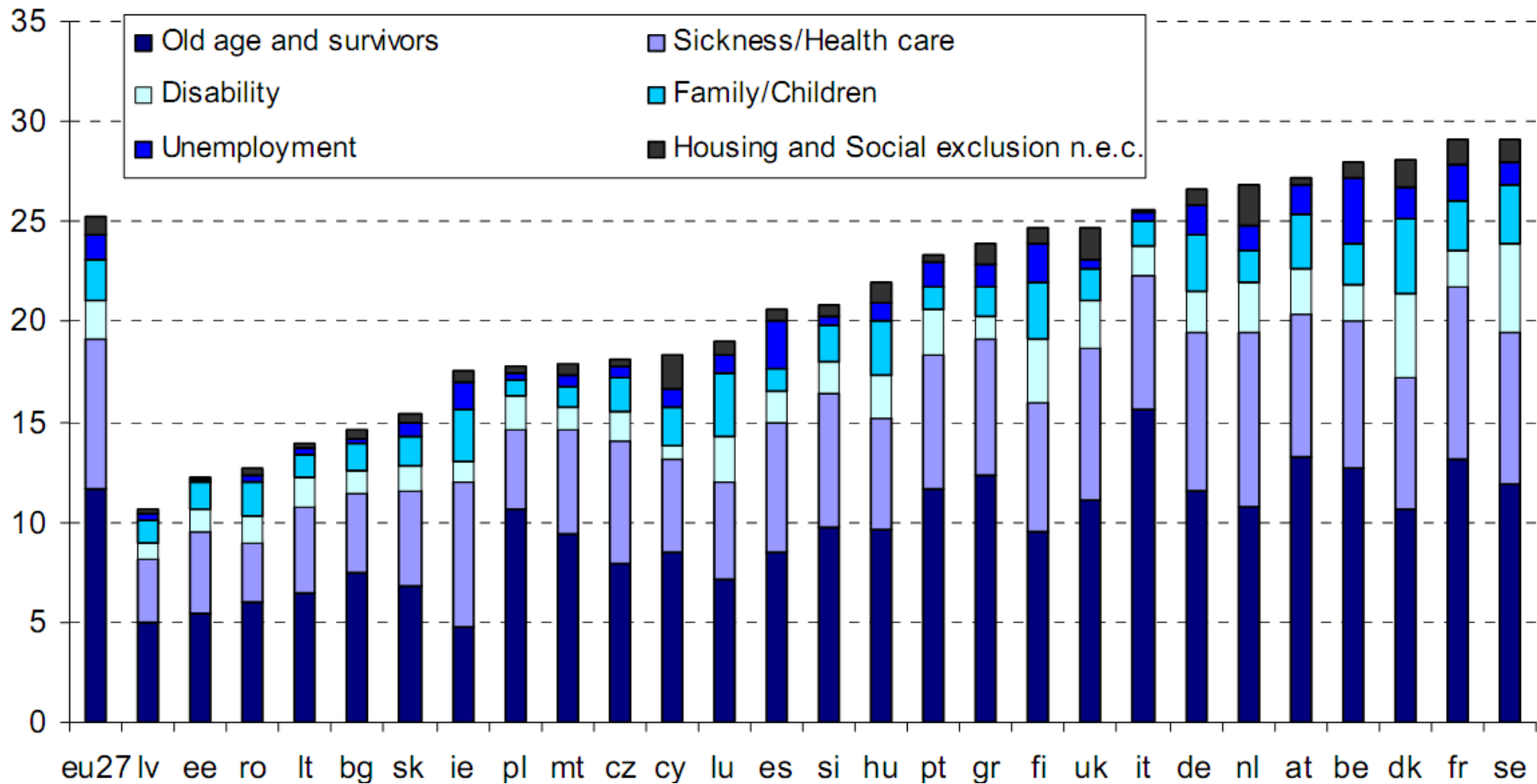

EU data

Social spending in OECD – total and disaggregated on four categories
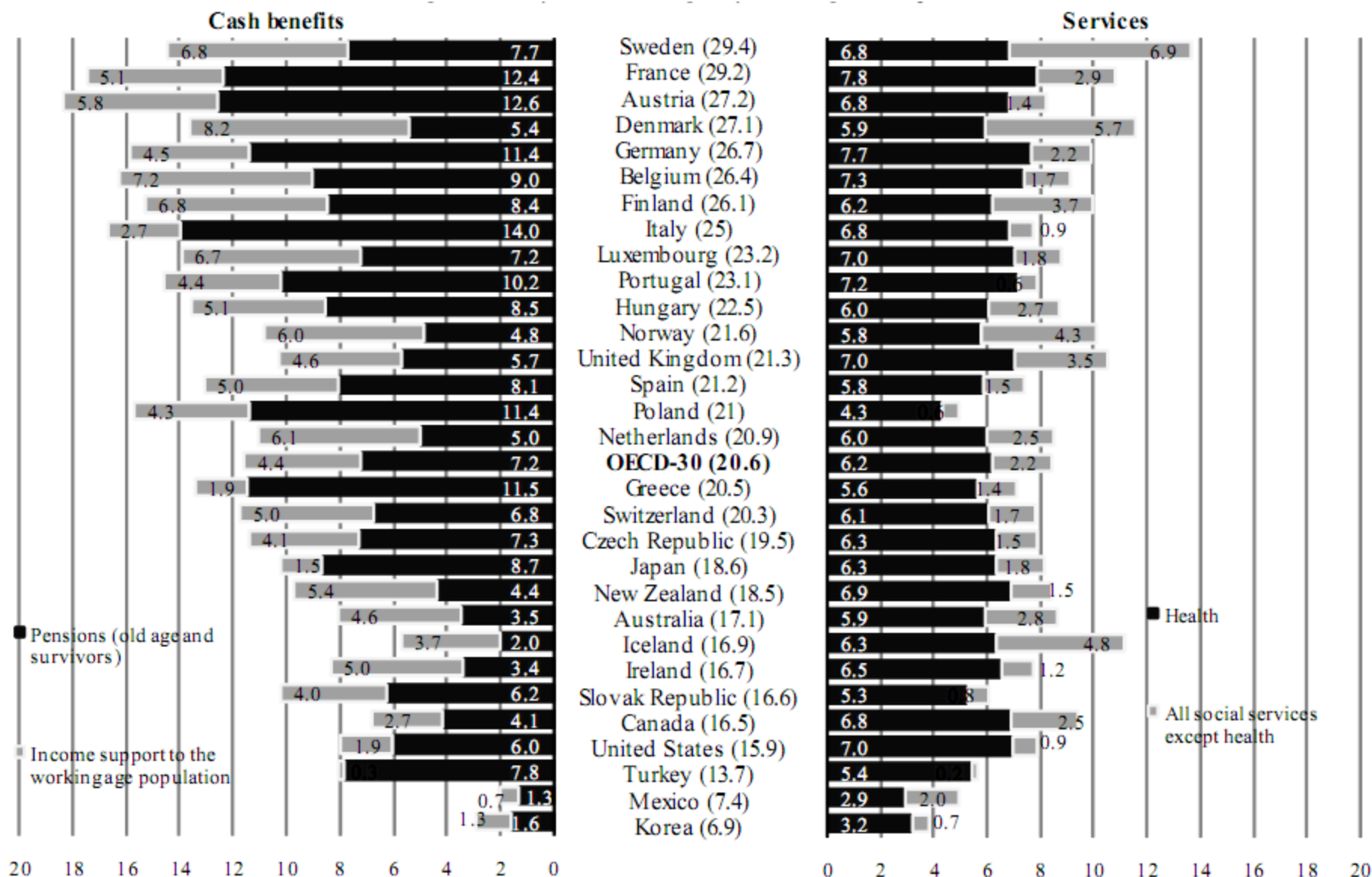

Data for 2003, Castles
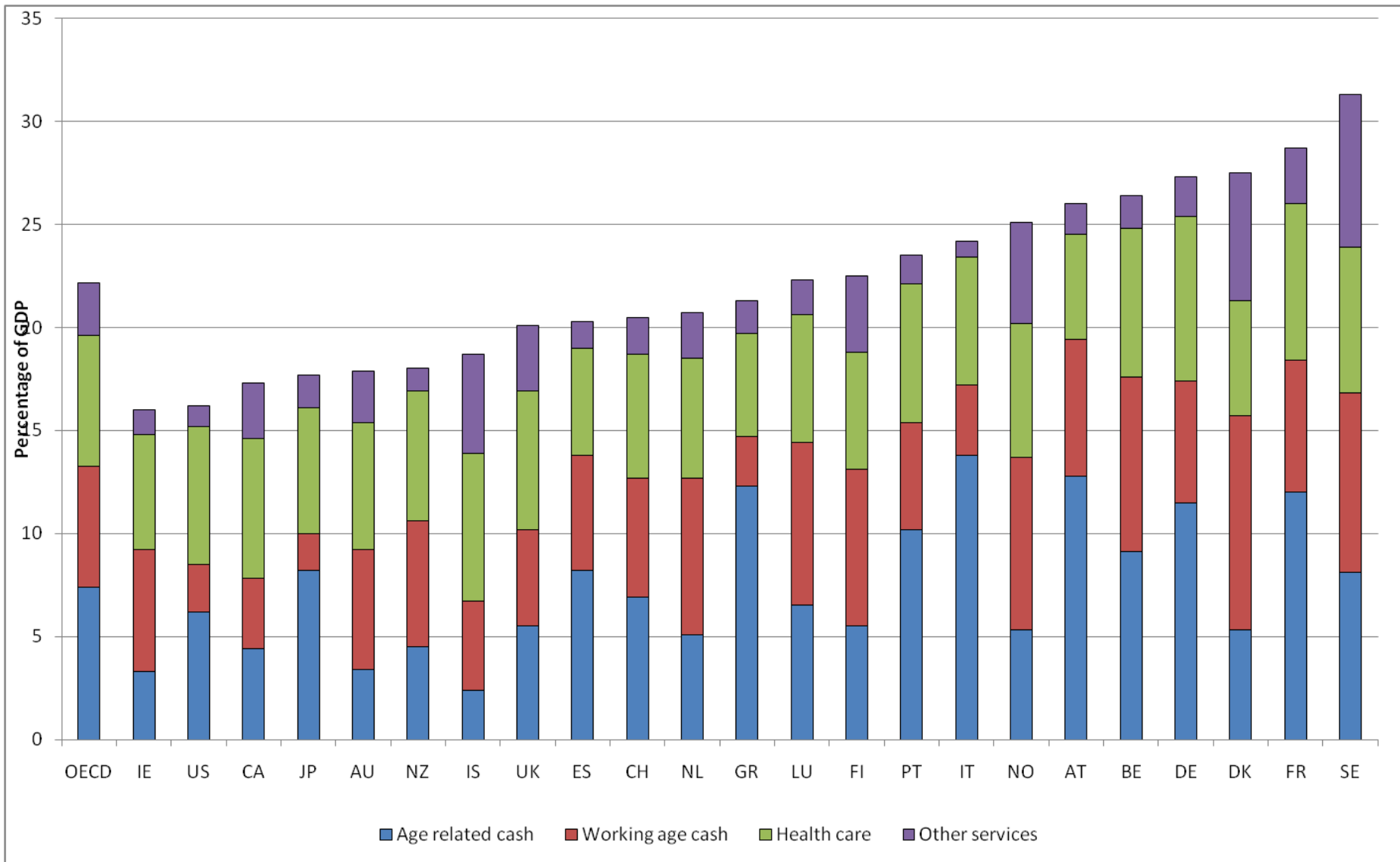
Social spending in EU – total and on six programs

data for 2007, EU Report, 2010

Public social expenditure by broad social policy area, 2005

Cash benefits

Services

Country	Cash (grey)	Cash (black)	Services (black)	Services (grey)
Sweden (29.4)	6.8	7.7	6.8	6.9
France (29.2)	5.1	12.4	7.8	2.9
Austria (27.2)	5.8	12.6	6.8	1.4
Denmark (27.1)	8.2	5.4	5.9	5.7
Germany (26.7)	4.5	11.4	7.7	2.2
Belgium (26.4)	7.2	9.0	7.3	1.7
Finland (26.1)	6.8	8.4	6.2	3.7
Italy (25)	2.7	14.0	6.8	0.9
Luxembourg (23.2)	6.7	7.2	7.0	1.8
Portugal (23.1)	4.4	10.2	7.2	0.6
Hungary (22.5)	5.1	8.5	6.0	2.7
Norway (21.6)	6.0	4.8	5.8	4.3
United Kingdom (21.3)	4.6	5.7	7.0	3.5
Spain (21.2)	5.0	8.1	5.8	1.5
Poland (21)	4.3	11.4	4.3	0.6
Netherlands (20.9)	6.1	5.0	6.0	2.5
OECD-30 (20.6)	4.4	7.2	6.2	2.2
Greece (20.5)	1.9	11.5	5.6	1.4
Switzerland (20.3)	5.0	6.8	6.1	1.7
Czech Republic (19.5)	4.1	7.3	6.3	1.5
Japan (18.6)	1.5	8.7	6.3	1.8
New Zealand (18.5)	5.4	4.4	6.9	1.5
Australia (17.1)	4.6	3.5	5.9	2.8
Iceland (16.9)	3.7	2.0	6.3	4.8
Ireland (16.7)	5.0	3.4	6.5	1.2
Slovak Republic (16.6)	4.0	6.2	5.3	0.8
Canada (16.5)	2.7	4.1	6.8	2.5
United States (15.9)	1.9	6.0	7.0	0.9
Turkey (13.7)	0.3	7.8	5.4	0.2
Mexico (7.4)	0.7	1.3	2.9	2.0
Korea (6.9)	1.3	1.6	3.2	0.7

Legend (Cash benefits): ■ Pensions (old age and survivors) ▪ Income support to the working age population

Legend (Services): ■ Health ▪ All social services except health

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 generus scheme)

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

- Unemployment benefits could be paid over the longer or shorter period (the longer, the more generus scheme)

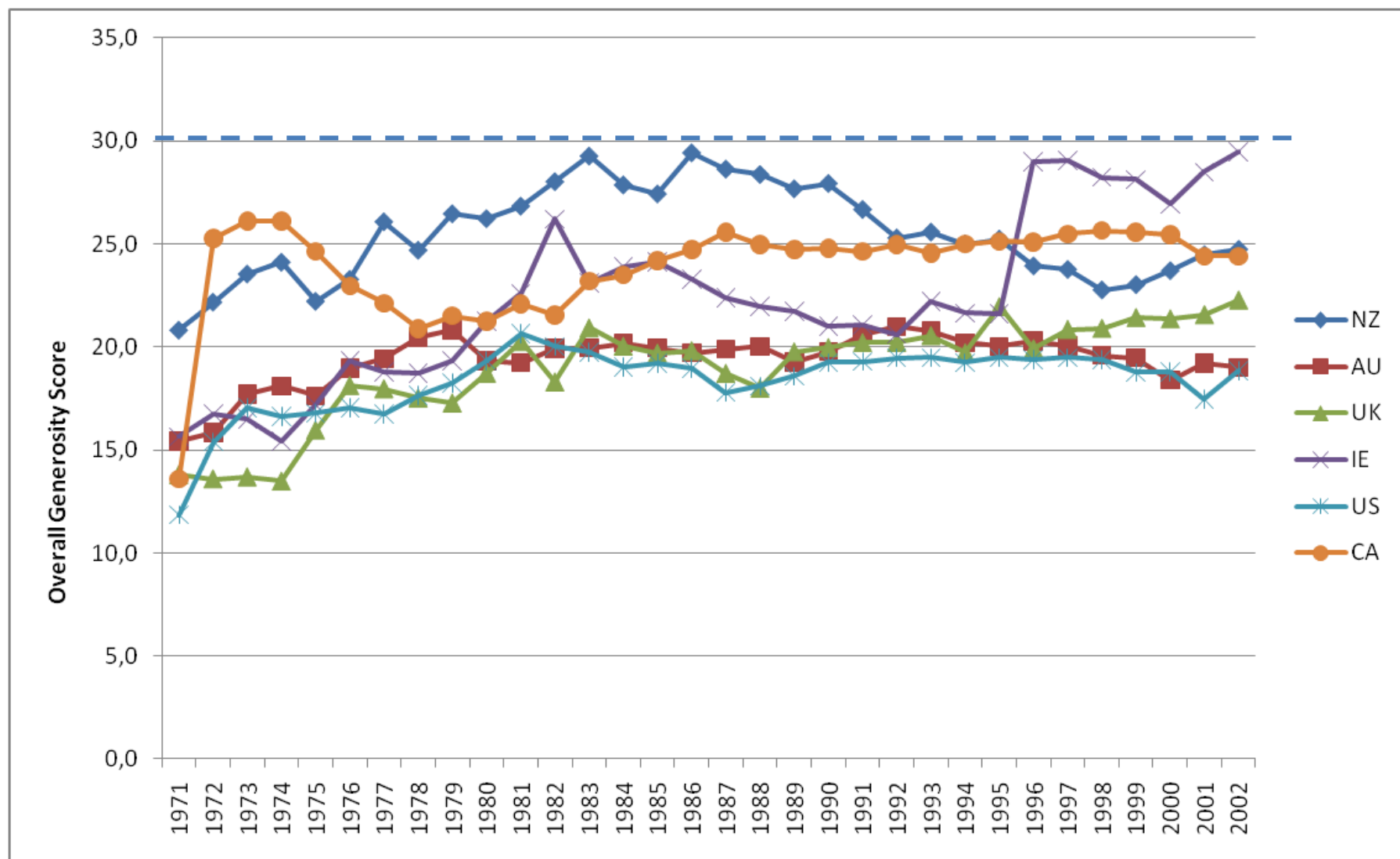# Welfare state generosity trends – Nordic countries
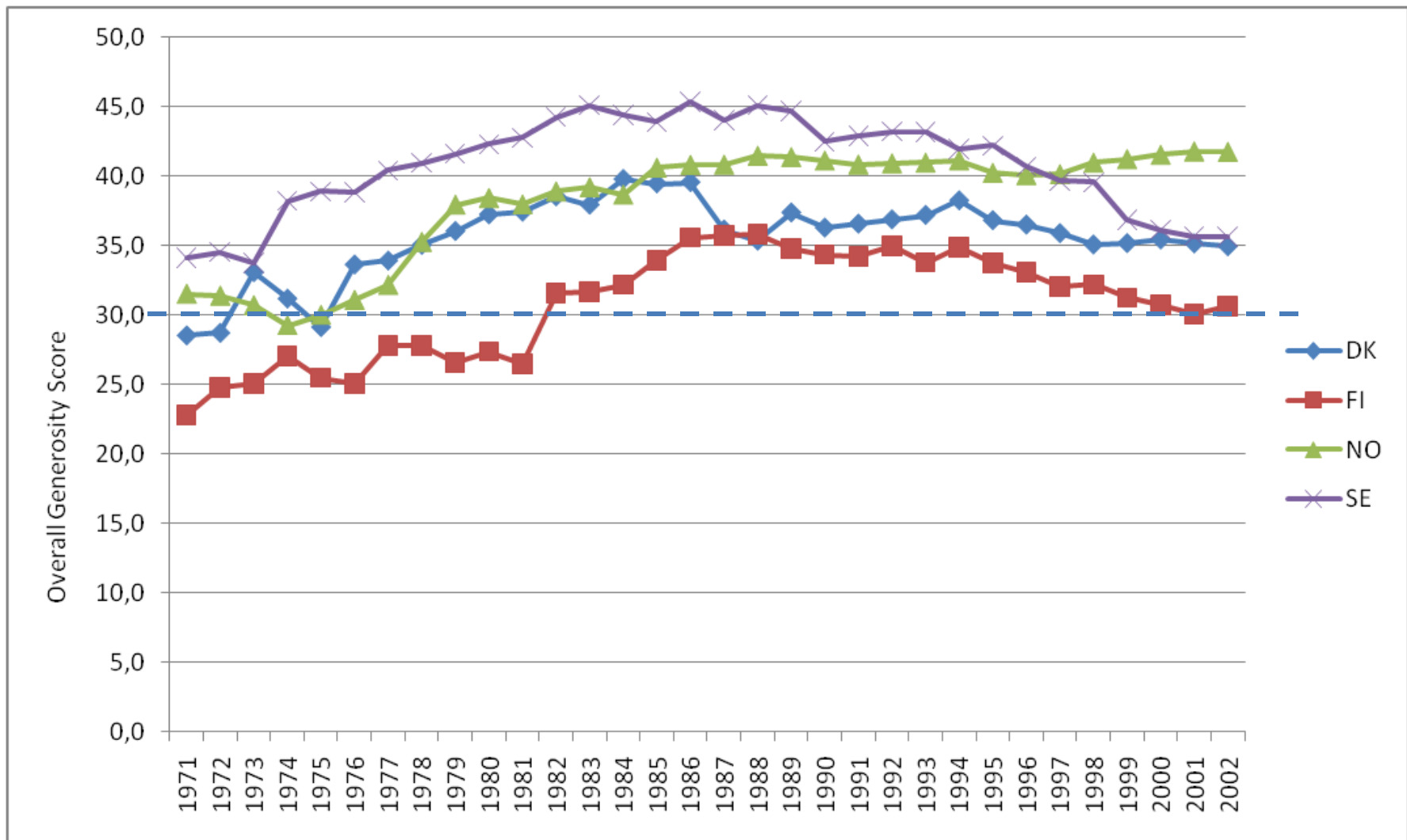
Unemployment benefits, sickness benefits and pensions generosity combined together, L. Scruggs database

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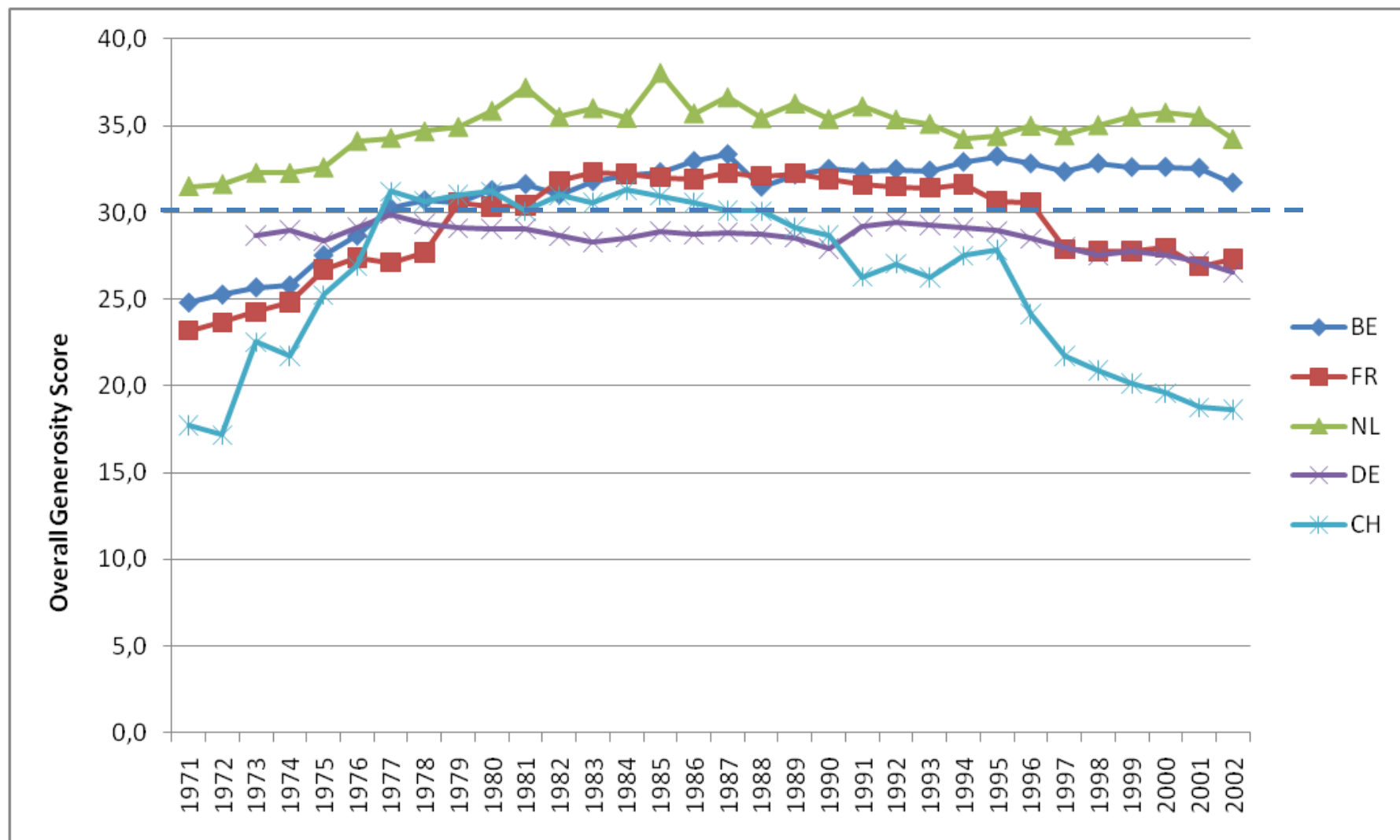
Unemployment benefits, sickness benefits and pensions
generosity combined together, L. Scruggs database

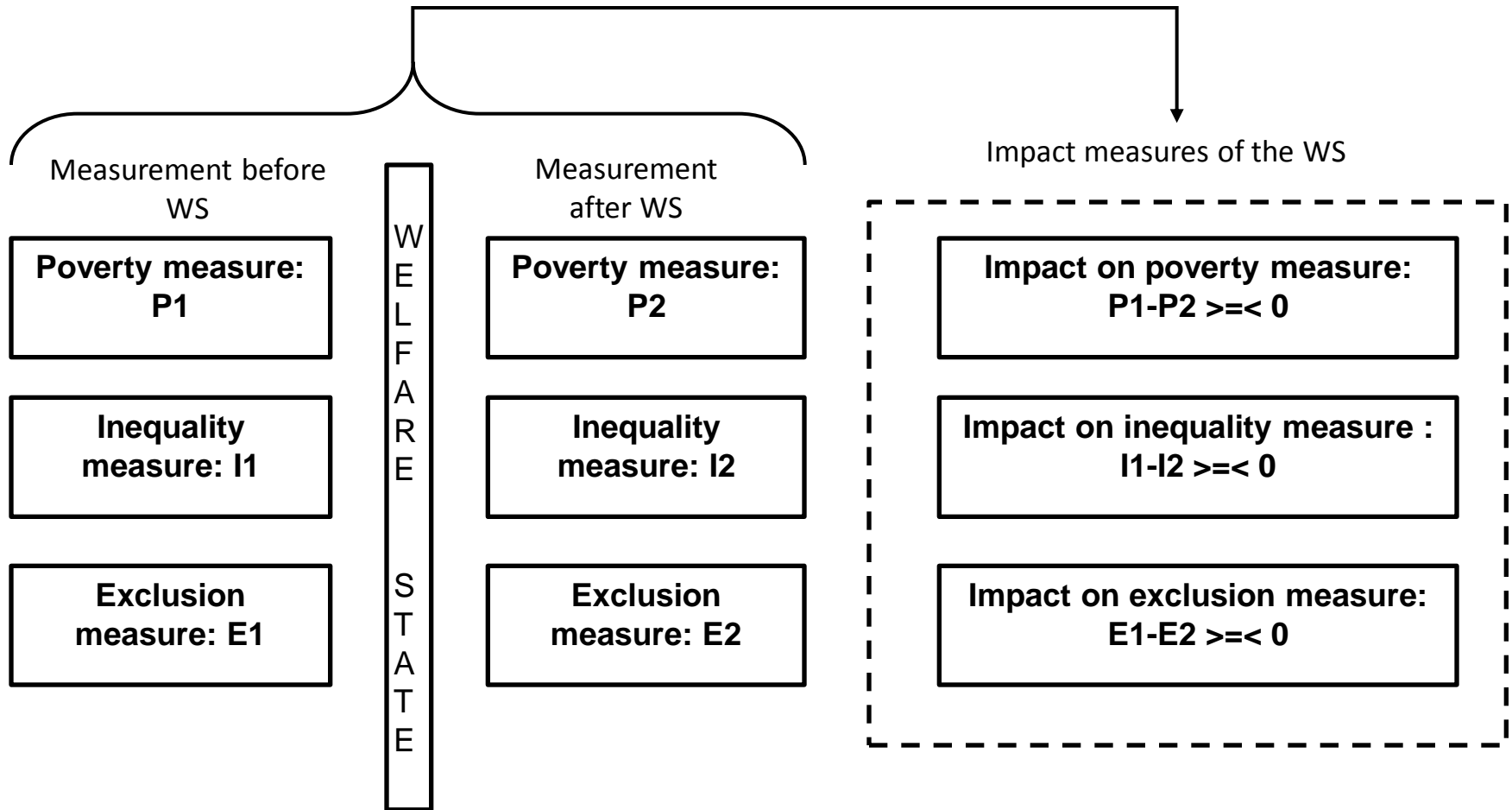# Welfare state generosity trends – anglosaxon countries

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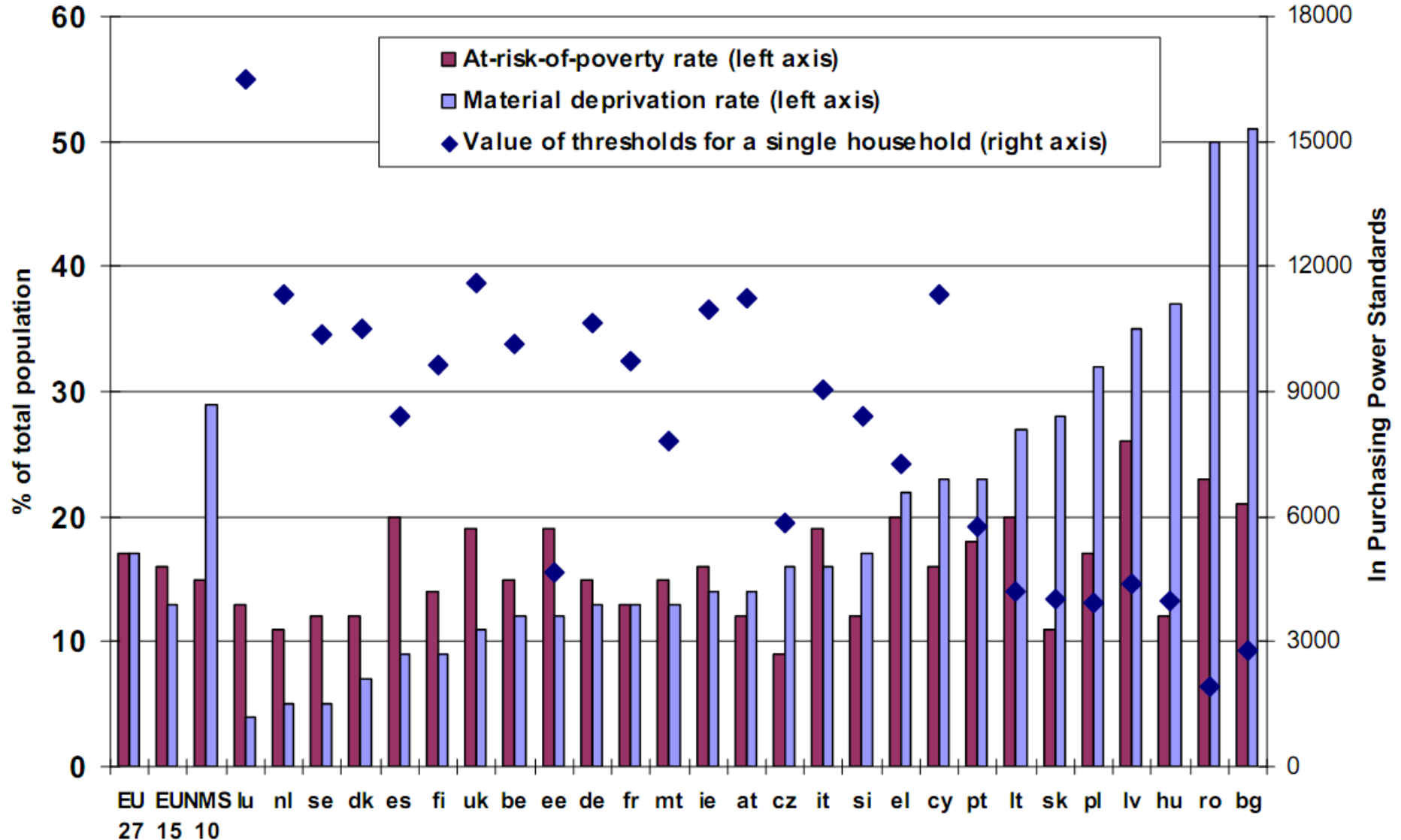
Welfare state outcome measurement

- 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 |

WELFARE STATE

Measurement after WS

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

Impact measures of the WS

| Impact on poverty measure: P1-P2 >=< 0 |
| Impact on inequality measure : I1-I2 >=< 0 |
| Impact on exclusion measure: E1-E2 >=< 0 |

Poverty and material deprivation indicators

EU Joint Report, 2010

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

EU Joint Report, 2010
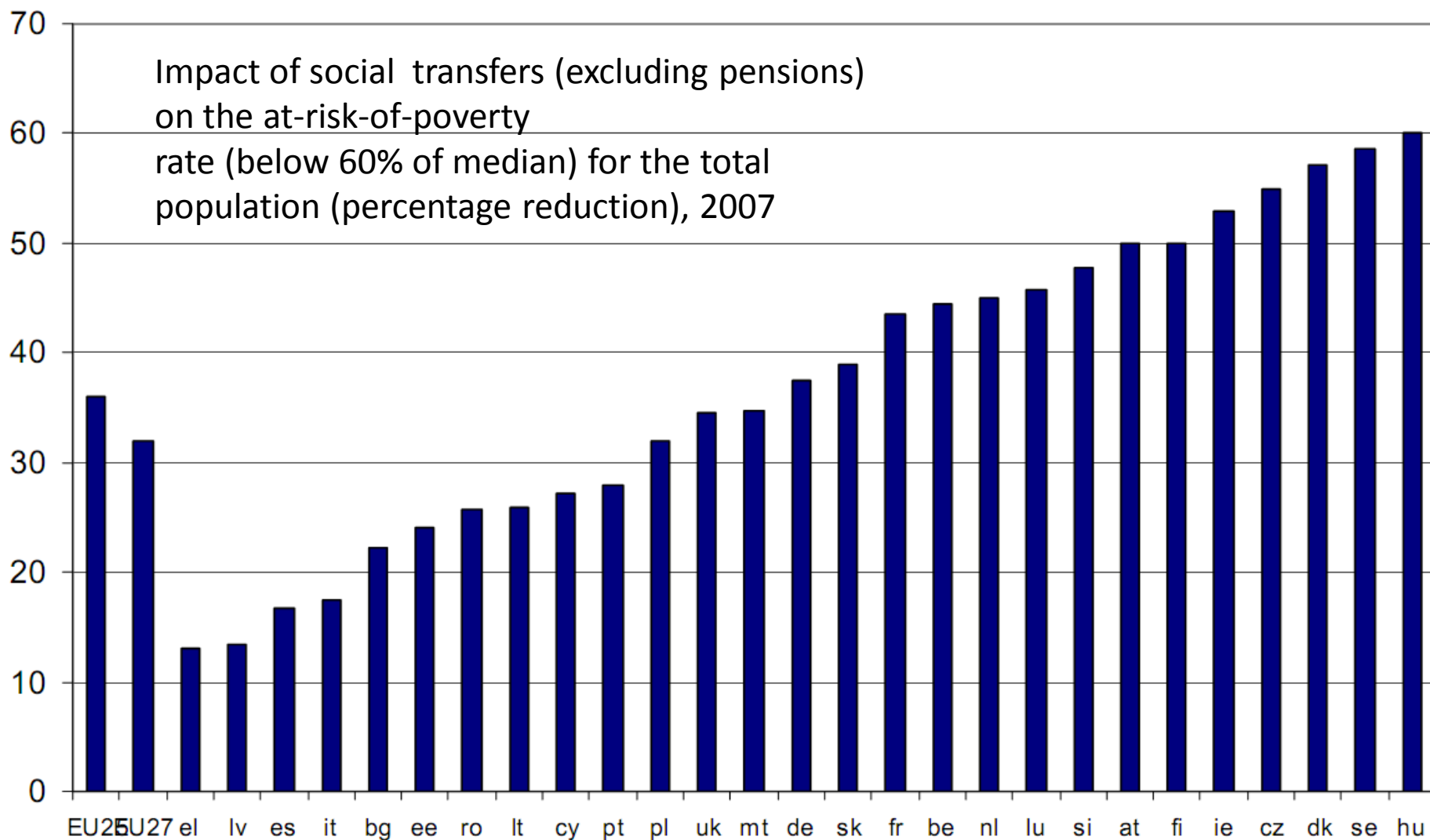
Inequality reduction by social transfers and taxation

Table 1 Redistribution of income

	Gini coefficient			reduction of inequality (percentages)		
	earned income	gross income	disposable income	earned ➡ gross income distr.	gross ➡ disposable income distr.	earned ➡ disposable income distr.
Sweden (1992)	0.550	0.343	0.320	38	7	42
Denmark (1992)	0.546	0.369	0.328	32	11	40
Norway (1995)	0.513	0.380	0.334	26	12	35
Netherlands (1996)	0.484	0.335	0.295	31	12	39
Germany (1994)	0.550	0.389	0.319	29	18	42
Belgium (1992)	0.534	0.348	0.291	35	17	46
Canada (1994)	0.509	0.377	0.336	26	11	34
United Kingdom (1995)	0.595	0.423	0.379	29	10	36
Australia (1989)	0.490	0.398	0.347	19	13	29
United States (1994)	0.528	0.430	0.382	19	11	28

Source: LIS, Statistics Netherlands (IPO'96)

Reduction by social transfers

Reduction by taxation

P. de Ber, C. Vrooman, *Measuring Welfare State Performance*, p. 18