

THREE WORLDS OF WELFARE REGIMES – REVENUES AND EXPENDITURES

WESTERN BALKANS POLICY ANALYSIS LABORATORY

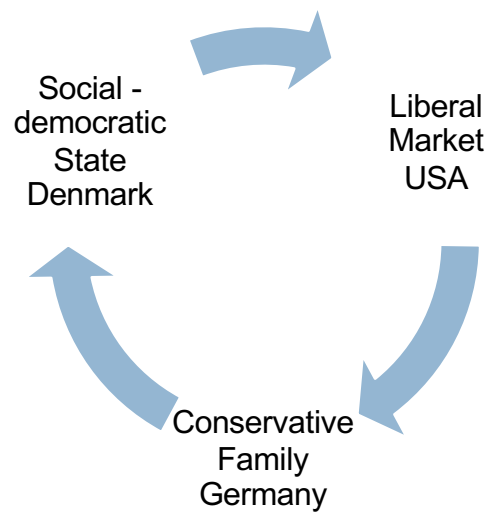
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WELFARE STATE - NOTION



STATE ACTIVITIES IN THE SOCIAL SECTOR – IN THE AREA OF SOCIAL PROTECTION CASH BENEFITS, HEALTH CARE, EDUCATION, HOUSING AND CARE SERVICES

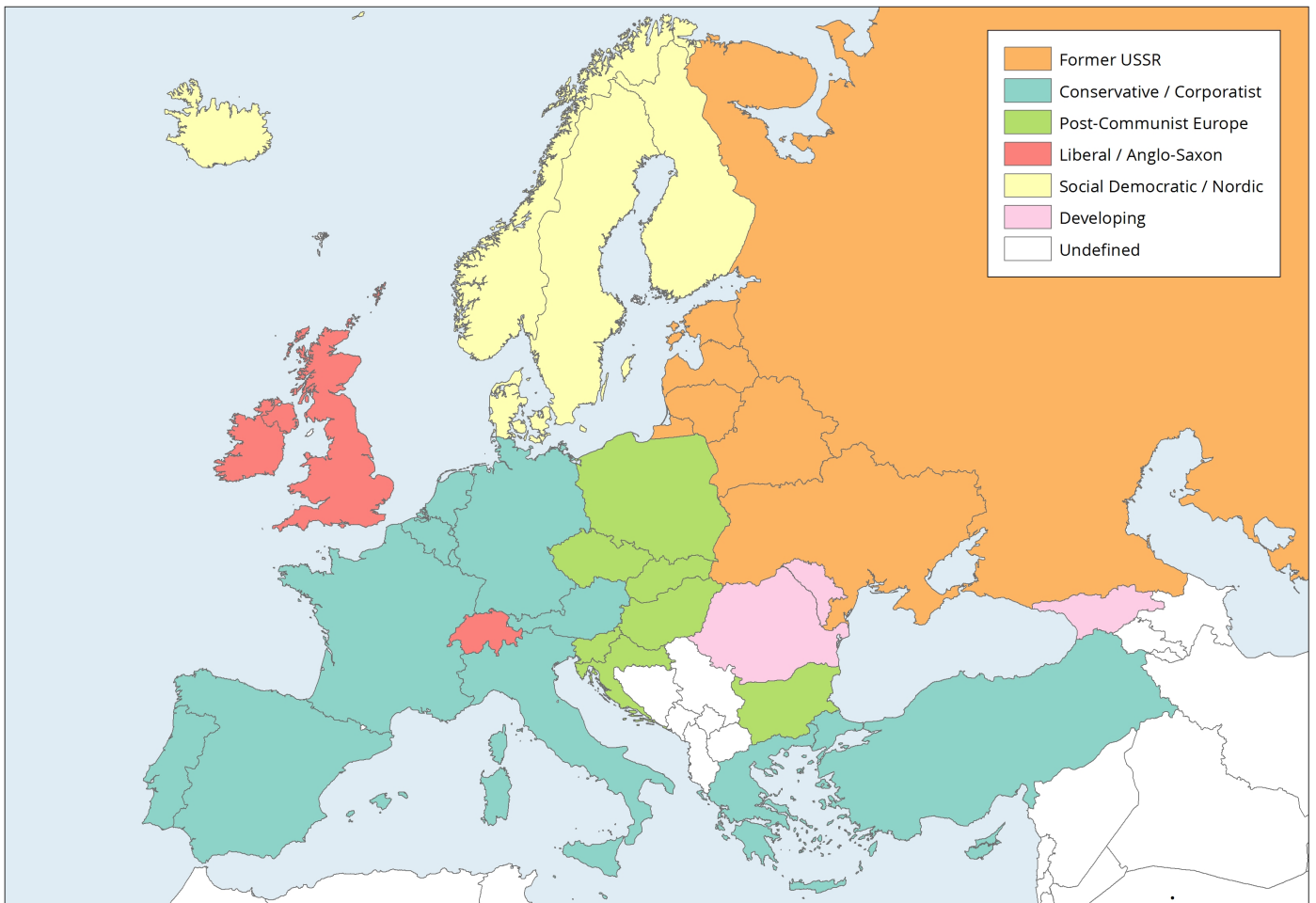
The three worlds of welfare (Esping-Andersen)



Main features and institutional design of welfare models

	Liberal	Conservative - corporatist	Social democratic
Programs	Means-tested programs Limited SI	Bismarckian social insurance	Universal welfare programs
Protection provided	Poor working class	Middle class	Citizens
Level of benefits	Low	High RR	High
Public expenditures	Low	High	High
Source of financing	Taxes	Contributions	Taxes
Stratification	High	Medium	Low
De-commodification	Low	Low	High
Main goal	Poverty reduction	Consumption smoothing	Basic social rights

WELFARE STATE MODELS IN EUROPE



Source: Esping-Andersen and Fenger

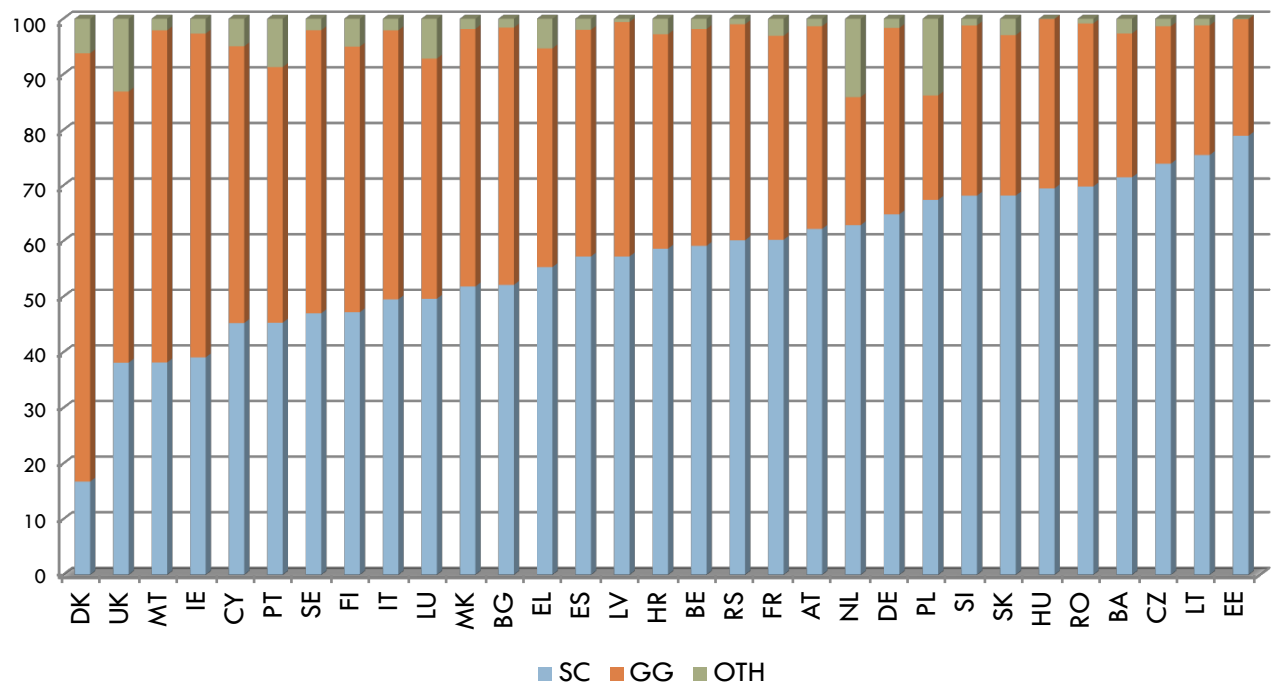
REVENUES



Sources of revenues

- Social protection systems can be financed in two major ways
 - social contributions or
 - general government
- Social contributions - payments by employers on behalf of their employees or by the protected persons themselves
- General government – finance non-contributory benefits, covers deficit of SC schemes or finance SI funds as required by law
- Other receipts - receipts of property income and miscellaneous receipts

Social protection financing by type of receipt, 2016



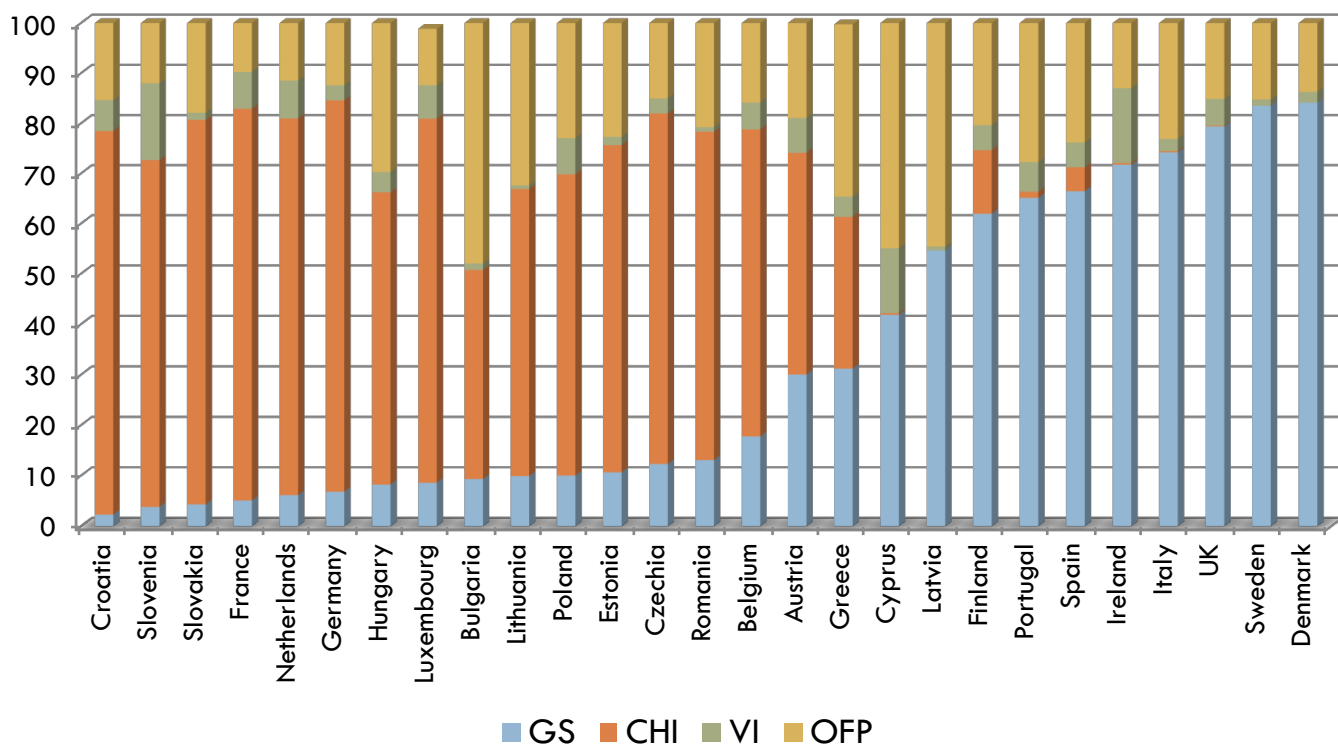
Social protection financing by type of receipt

- Mostly GG
 - ▣ Liberal UK, IE
 - ▣ Social-democratic DK, SE, FI
- Mostly SC
 - ▣ NMS
 - ▣ Conservative (Bismarck) DE, AT, FR, BE
- Structure is very different depending on function/type of risks

Social protection financing by type of receipt

- Old age and survivors – SC dominant source in almost all countries
- Healthcare – GG is dominant in Social democratic, Beveridge + southwestern Europe
- Family/children – GG dominant source in most countries
- Social exclusion and housing – GG in all countries

Health care financing schemes, 2016



Healthcare financing

- Public financing (GG or SC) dominates (70-80%)
- SC in typical conservative regimes
- Private financing
 - ▣ Out of pocket (OFP) dominates over voluntary insurance (VI)
 - ▣ Voluntary private insurance - almost nonexistent in NMS and Beveridge countries (Social democratic and liberal UK, IE)

SC versus taxes

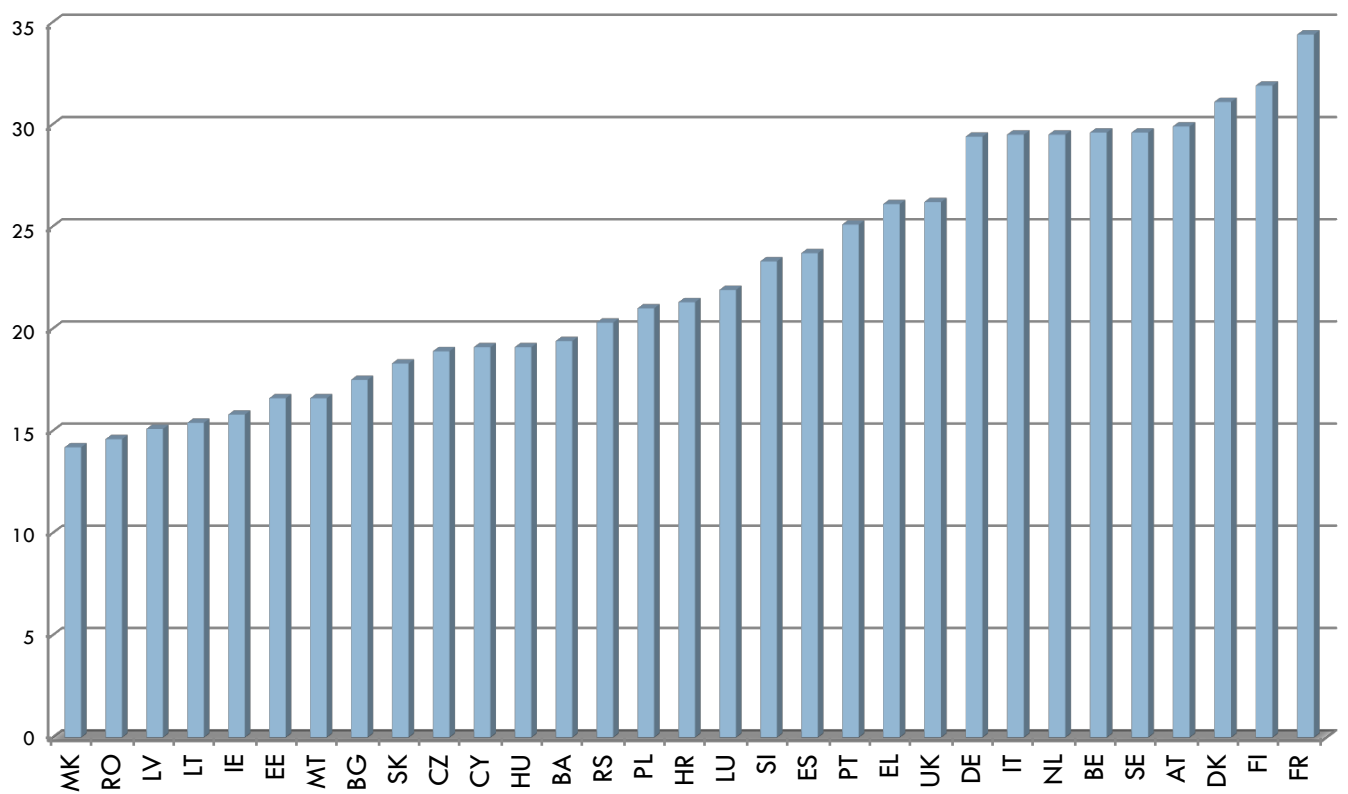
Alternative financing methods have different implications for:

- Labor costs
- Work incentives
- Risk of evasion
- Administrative cost
- Distributive effects

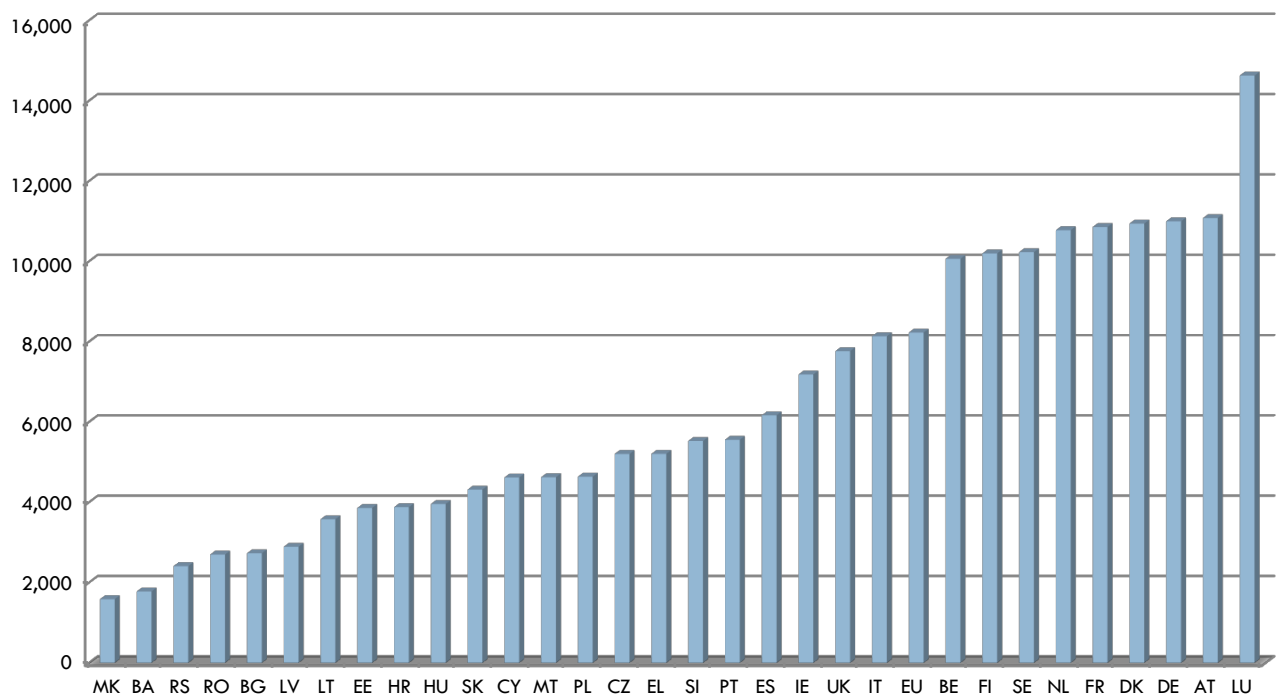
EXPENDITURES



SP expenditure, 2016 (% GDP)



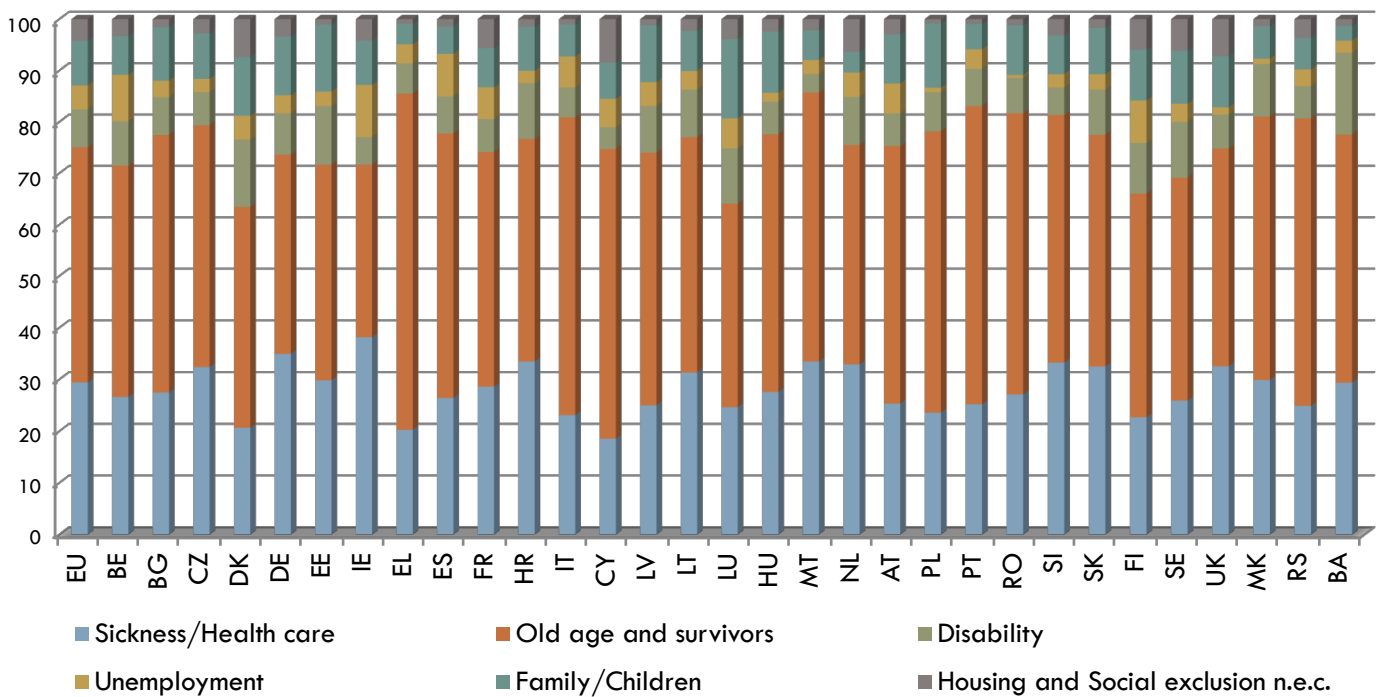
SP expenditure, 2016 (PPS per inhabitant)



SP expenditure, 2016

- EU (28) average – 28.1%; 8,227 PPS
- Spending less than average
 - NMS
 - South European
 - Liberal (especially IE)
- Spending more than average
 - Conservative
 - Social democratic
- Spending ranges from 14,000 (LU) to 1,590 (NM)

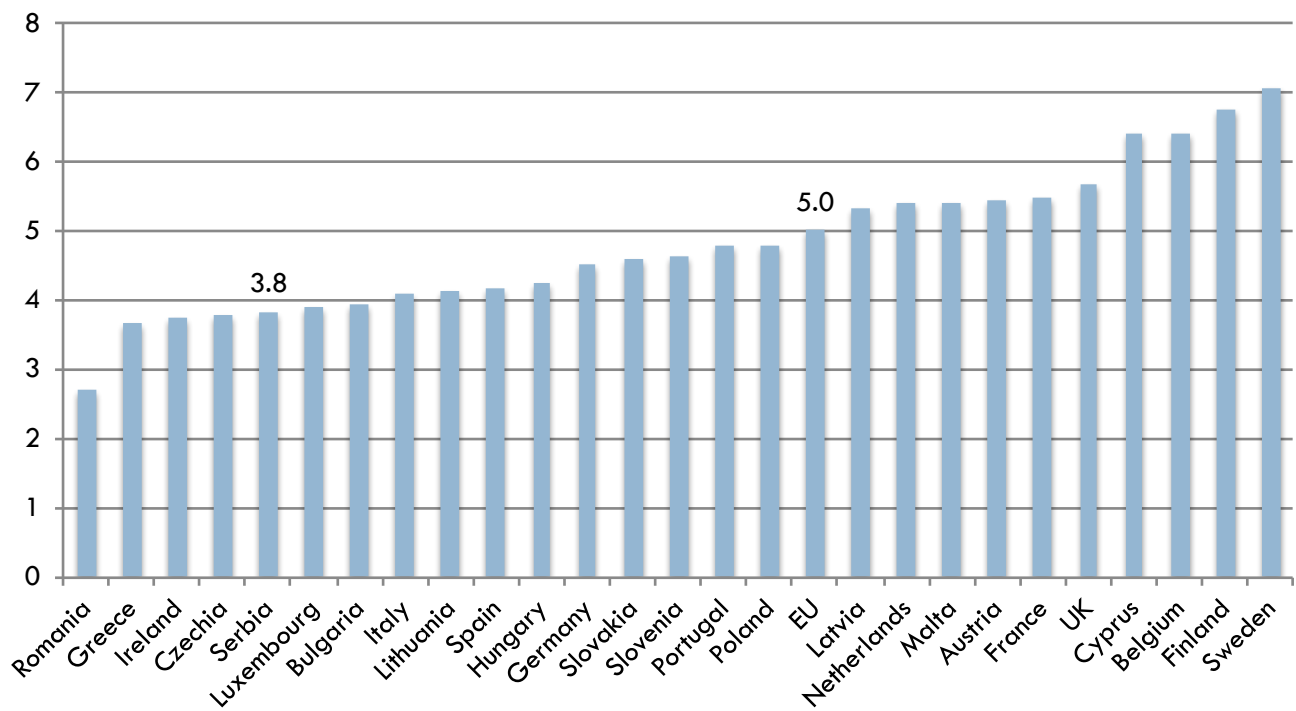
SP expenditures, by functions, 2016



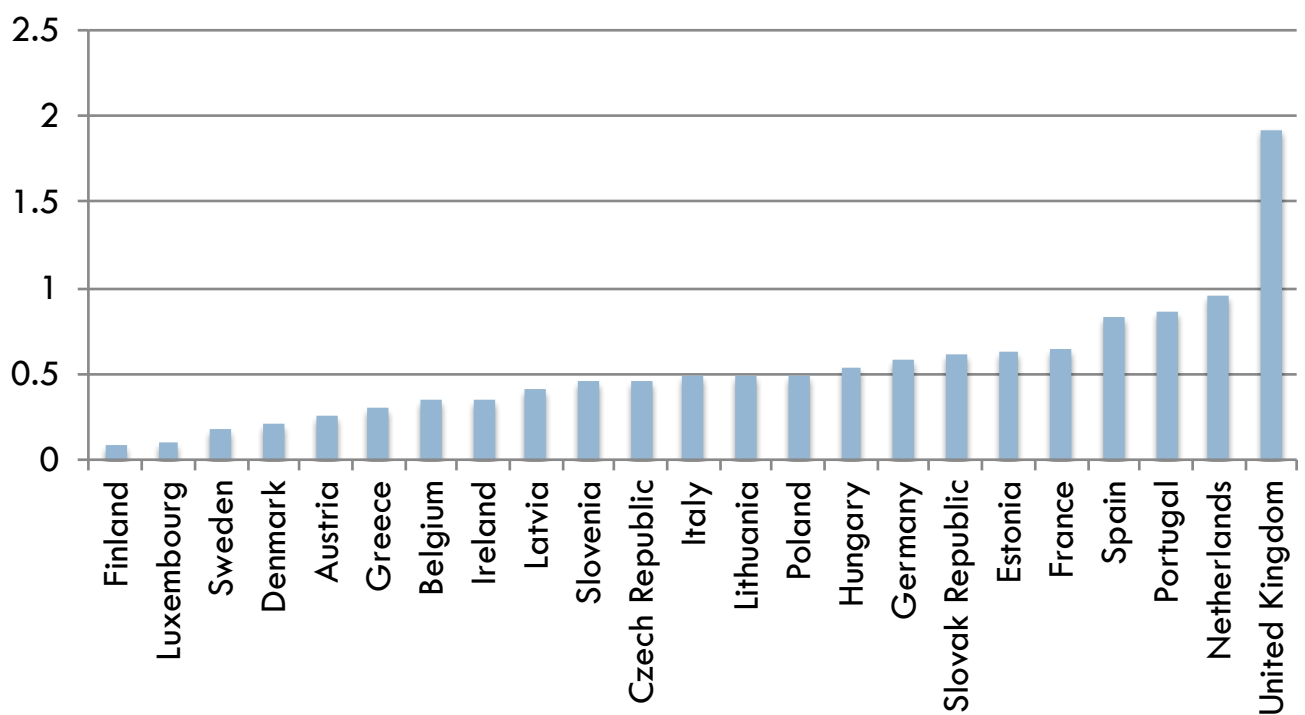
SP expenditures, by functions, 2016

- Highest share of expenditures on old age and health
- Lowest share for social exclusion and housing
- More balanced structure in EU (15), especially in social democratic regimes (DK)

Public expenditure on education (% GDP), 2015



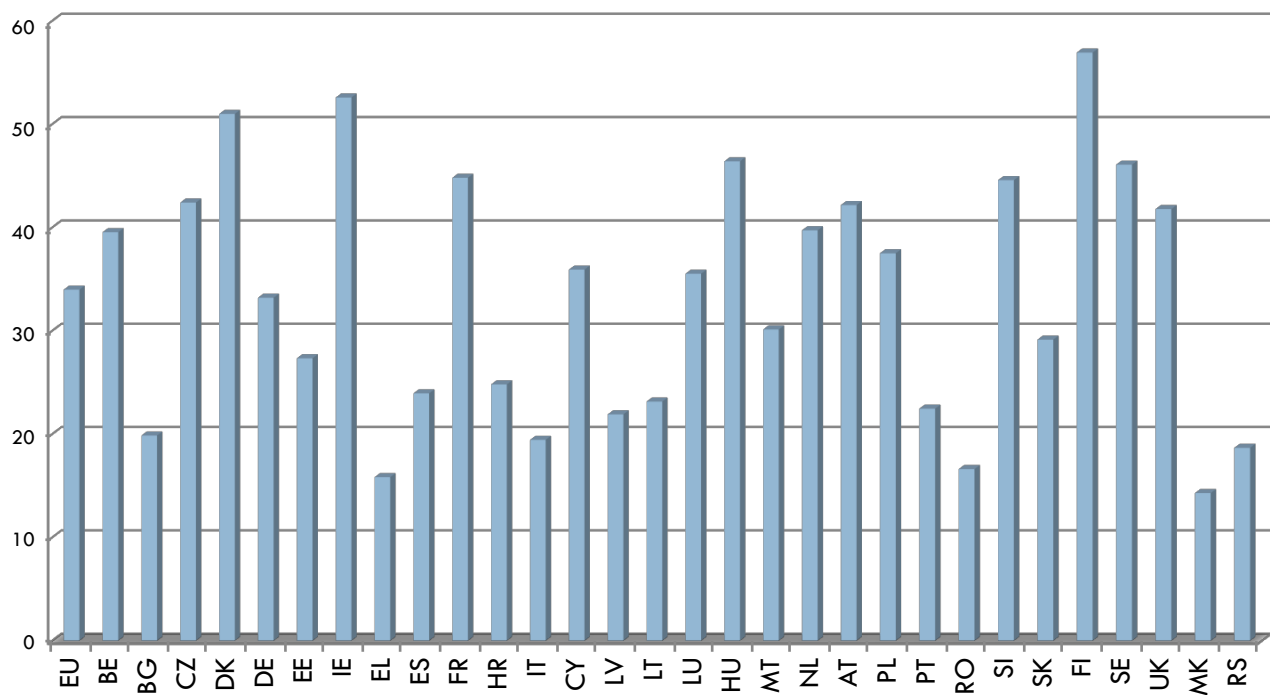
Private spending on education (% GDP), (2014-2016)



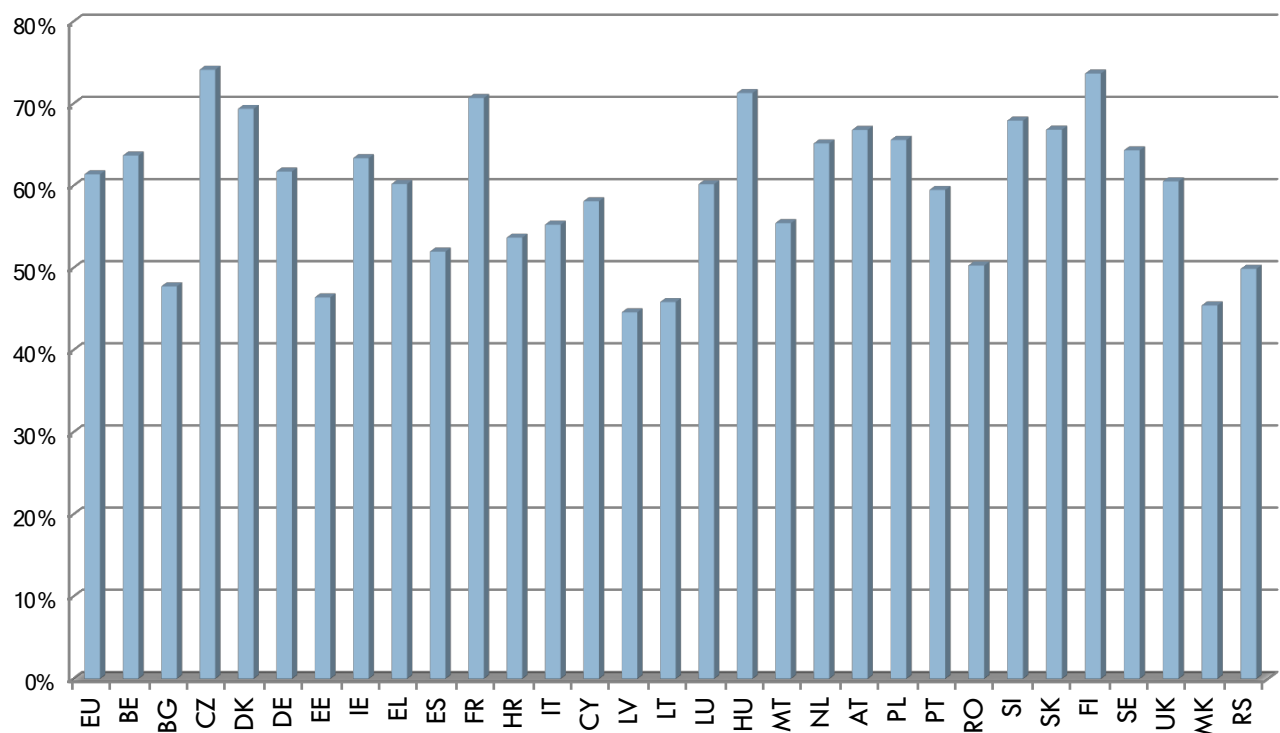
EFFICIENCY AND EFFECTIVENESS



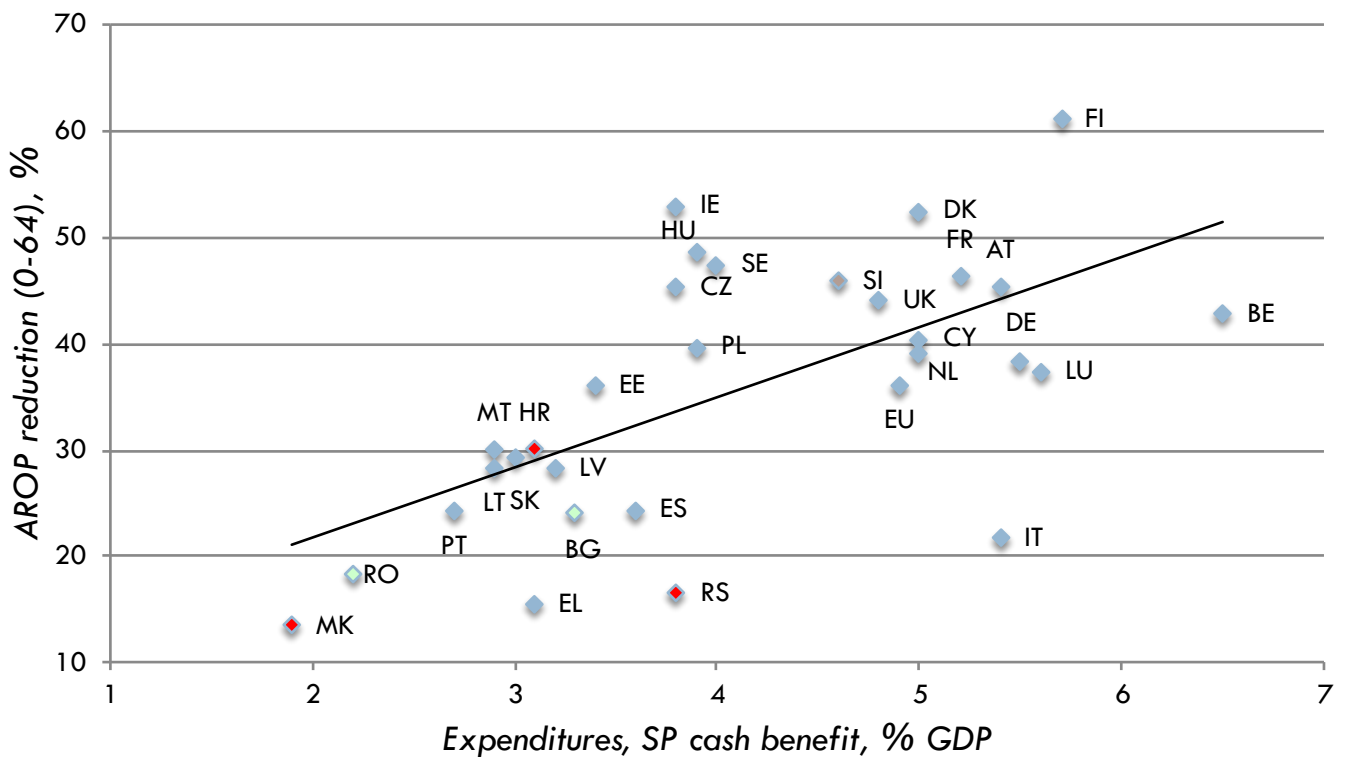
Impact of social transfers (other than pensions) on poverty reduction, 2017



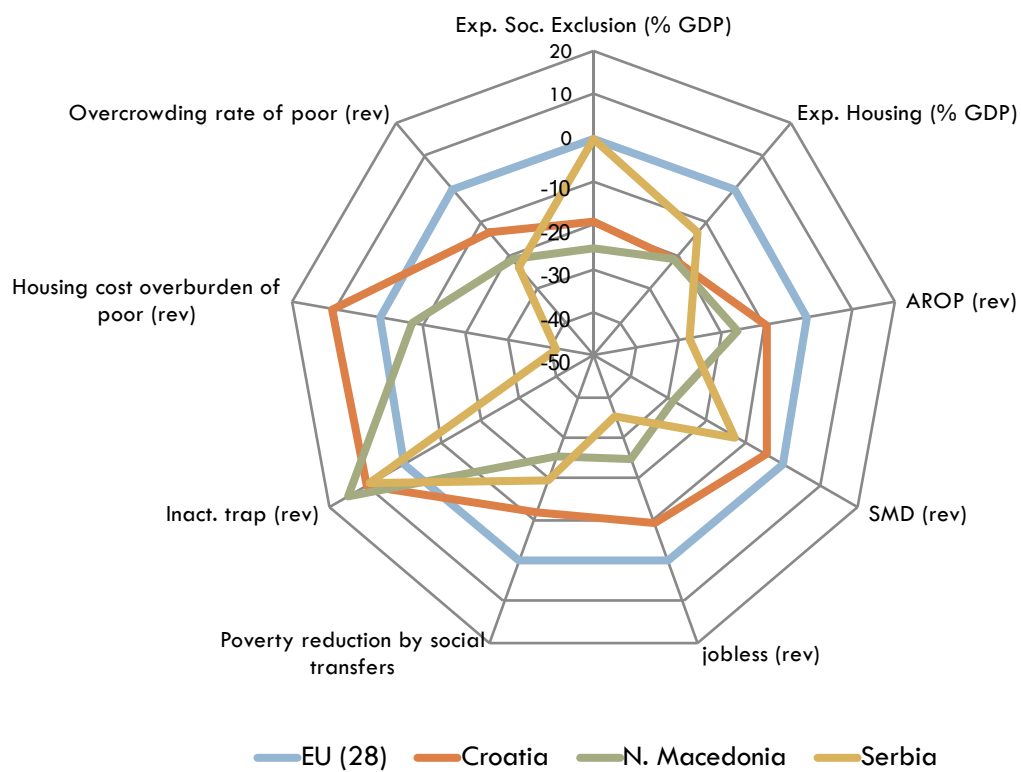
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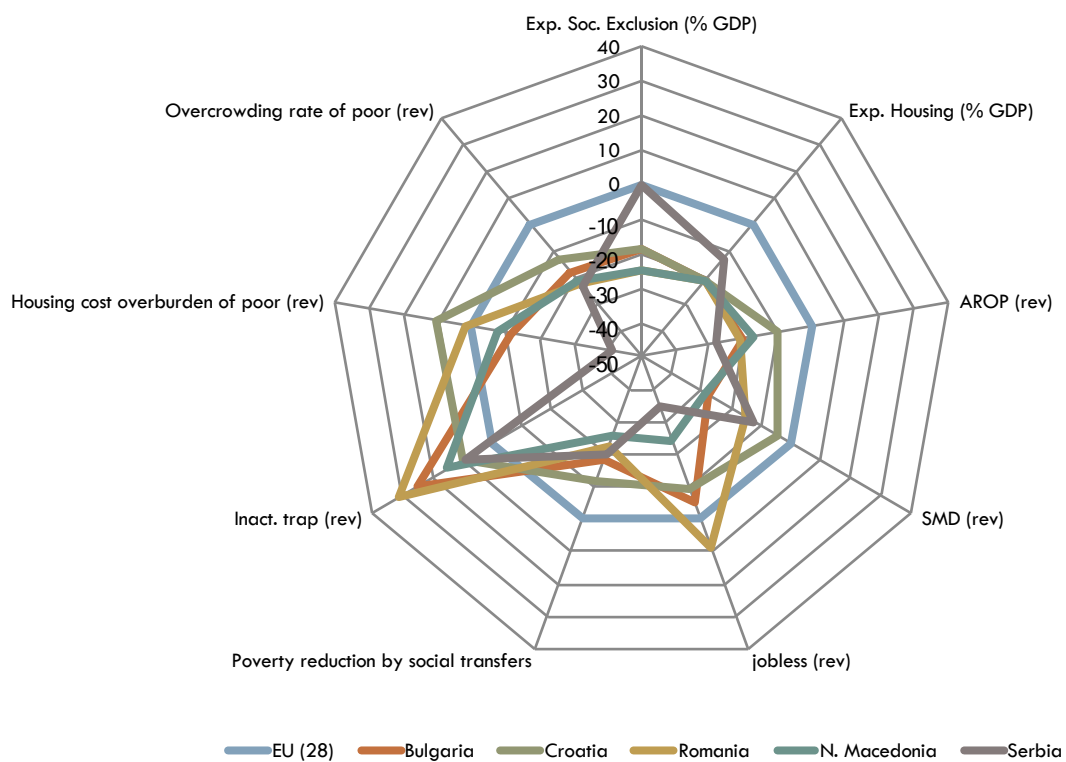
Relation between expenditure on cash SP benefits (other than pensions, % GDP) and impact of income transfers on poverty reduction (0-64), 2017



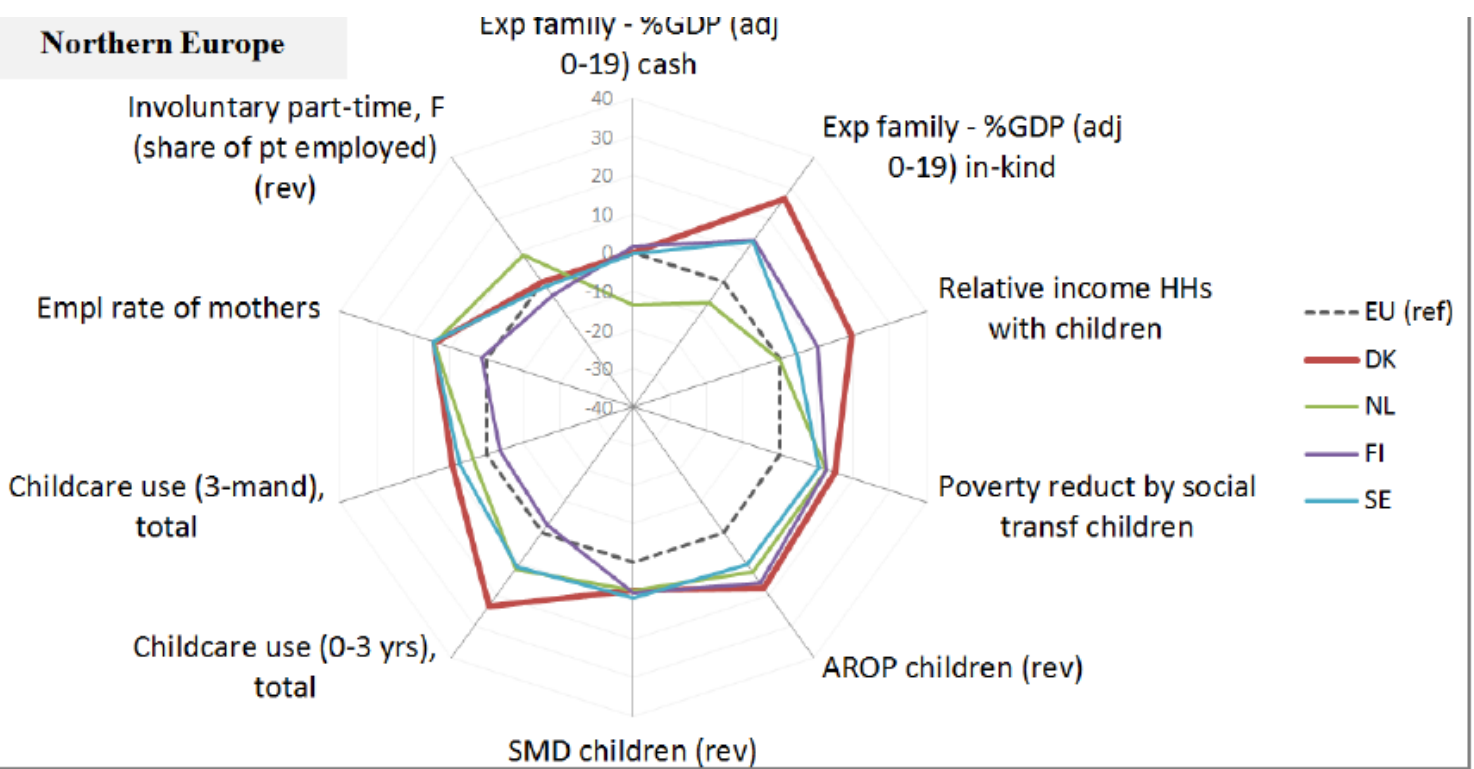
Social exclusion and housing outcomes and expenditure



Social exclusion and housing outcomes and expenditure



Northern Europe



CHALLENGES



CHALLENGES

- Demographic changes, and in particular population ageing
- Globalisation
- EU integration processes
- Family transformation
- Labour market changes
- New challenges include inequality and migration