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

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

**Legend:**
- **RR**: Relative Risk
- **SI**: Social Insurance
Konzervativno-korporativni model
Umesto tržišta jaka država je preuzela ulogu obezbeđenja socijalne zaštite i socijalne sigurnosti. Privatna osiguranja imaju marginalnu ulogu.
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)
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
Impact of social transfers (including pensions) on poverty reduction, 2017
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

[Graph showing various indicators such as Exp. Soc. Exclusion, Exp. Housing, Overcrowding rate of poor, Housing cost overburden of poor, Inact. trap, Poverty reduction by social transfers, AROP, SMD, and jobless, with data points for EU (28), Croatia, N. Macedonia, and Serbia.]
Social exclusion and housing outcomes and expenditure
Figure 3.7: Child poverty outcomes and family expenditure in 2011
CHALLENGES
CHALLENGES

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